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No. 87-814

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1987

TERMINAL REALTY PENN COMPANY,

*Petitioner*,

vs.

SEYMOUR AUERBACH,

*Respondent*.

## PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

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## QUESTIONS PRESENTED FOR REVIEW

I. DID THE COURT OF APPEALS SO CONSTRUE THE LANGUAGE AND CONGRESSIONAL POLICY OF 28 U.S.C. § 1498(b) THAT IT (A) LARGELY ABROGATED THE OPERATION OF THAT FEDERAL STATUTE AND (B) UNDERMINED THE INTEGRITY OF FEDERAL COPYRIGHT PROTECTION?

II. IN LIGHT OF A CONFLICT IN CIRCUITS AS TO THE PROPER SCOPE OF THE LEGAL RESPONSIBILITY OF THE UNITED STATES OF AMERICA FOR THE ACTIONS OF ITS CONTRACTORS AND SUBCONTRACTORS UNDER 28 U.S.C. § 1498, WHAT IS THE PROPER SCOPE OF THE FEDERAL GOVERNMENT'S LEGAL RESPONSIBILITY FOR SUCH ACTIONS UNDER 28 U.S.C. § 1498(b)?

III. DOES THE OPINION OF THE COURT OF APPEALS CONFLICT WITH THE DECISION OF THIS COURT IN *SPERRY GYROSCOPE CO. v. ARMA ENGINEERING CO.*, 271 U.S. 232 (1926), AND AS A RESULT, DID THE CIRCUIT COURT DEPRIVE PETITIONER OF DUE PROCESS OF LAW BY FAILING TO CONSIDER WHETHER THE DISMISSAL OF THE COMPLAINT BY THE DISTRICT COURT IN THIS ACTION UNDER FED. R. CIV. P. 19 CONSTITUTED A SEPARATE, INDEPENDENT AND LEGALLY SUFFICIENT GROUND UPON WHICH SUCH DISMISSAL COULD BE AFFIRMED ON APPEAL?

IV. IS THE UNITED STATES OF AMERICA, WHICH, AS SHOWN BY THE RECORD HEREIN,

(i) ASSUMED IN WRITING "SOLE AND EXCLUSIVE LIABILITY" FOR THE CLAIMS AT ISSUE IN THIS LITIGATION,

(ii) WAS DETERMINED BY A U.S. DISTRICT COURT TO BE "COMPLETELY IN CONTROL" OF THE FEDERAL CONSTRUCTION PROJECT AND SPECIFIC CONTRACT WHICH GAVE RISE TO THIS LITIGATION,

(iii) MAY ASSERT A UNIQUE DEFENSE WHICH WOULD BE A COMPLETE BAR TO ALL CLAIMS AGAINST ALL DEFENDANTS IN THIS ACTION, AND

(iv) WOULD BE SUBJECT TO A SUBSTANTIAL RISK OF INCURRING A LIABILITY WHICH MIGHT NEVER HAVE ARISEN IF IT WERE A PARTY TO THIS PROCEEDING,

AN INDISPENSABLE PARTY TO THIS LAWSUIT UNDER FED. R. CIV. P. 19?

## PARTIES TO THE PROCEEDING

The parties to the proceeding in the court whose judgment is sought to be reviewed herein are as follows:

(i) Appellant—Seymour Auerbach, and

(ii) Appellees—(a) Terminal Realty Penn Company, a wholly-owned subsidiary of The Penn Central Corporation; (b) Terminal Realty Baltimore Company, a subsidiary of CSX Corporation; (c) Sverdrup Corporation; (d) Sverdrup & Parcel, a partnership; (e) Sverdrup & Parcel & Associates, Inc.; (f) the District of Columbia; (g) Union Station Redevelopment Corporation; (h) Devrouax & Purnell, Architect Planners, P.C.; (i) Jackson & Tull, Chartered Engineers; and (j) Legion Design Systems, Inc.

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## PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

## OPINIONS BELOW

The opinion of the United States Court of Appeals for the District of Columbia Circuit (the "Circuit Court"), as amended, is not yet officially reported and is reprinted in the appendix to this Petition at p. 1a *et seq*. The Order and opinion of the United States District Court for the District of Columbia, from which appeal was taken, is not officially reported and is reprinted in the appendix to this Petition at p. 14a *et seq*.

## JURISDICTION

The judgment of the Circuit Court sought to be reviewed hereby was entered on September 22, 1987. This petition for certiorari was filed within ninety days of that date. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

## STATUTORY PROVISIONS AND REGULATIONS INVOLVED IN THIS CASE

The statutory provisions and regulations involved in this case are: (i) 28 U.S.C. § 1498(a), (ii) 28 U.S.C. § 1498(b),

(iii) Fed. R. Civ. P. 19, (iv) 17 U.S.C. § 506(a), (v) 40 U.S.C. §§ 801-809, (vi) 40 U.S.C. §§ 811-819, (vii) 48 C.F.R. § 1227.401-71(b)(6)(ii) (1986), (viii) 48 C.F.R. § 1252.227-71(a)(c)(2) (1986), (ix) Fed. R. Civ. P. 12(b)(6), (x) 17 U.S.C. 401, (xi) 17 U.S.C. § 402, (xii) 28 U.S.C. § 1331, (xiii) 28 U.S.C. § 1338(a), and (xiv) 28 U.S.C. § 1254(1). These statutory provisions and regulations are reprinted in the appendix to this Petition at p. 17a *et seq.*

## STATEMENT OF THE CASE

### A. Introduction

This case hinges upon the proper scope of the legal responsibility of the United States under 28 U.S.C. § 1498(b) for the alleged infringement by government contractors and subcontractors of the copyright Respondent claims in architectural plans and drawings used for the ongoing construction of a parking garage facility immediately adjacent to Union Station in Washington, D.C., as part of an initial overall project to renovate and redevelop that landmark as a National Visitor Center (the "Project").

### B. The United States Assumes "Sole and Exclusive Liability" for the Actions of its Contractors and Subcontractors on the Project.

The Project originated with the passage of the National Visitor Center Facilities Act of 1968, 40 U.S.C. §§ 801-809 (the "Visitor Center Act"). Pursuant to the Visitor Center Act, the United States, through the Secretary of the Interior, entered into a twenty-five year lease of Union Station in 1968 with the owners of the station, Terminal Realty Penn Company ("TRP") and Terminal Realty Baltimore Company ("TRB"), and became obligated to construct the parking garage facility which is the focus of this litigation (the "Facility"). *See* 40 U.S.C. § 801. In order to discharge his responsibilities under the Visitor Center Act, the Secretary of the Interior in 1969 designated an architectural firm to be retained for the Project and the construction of the Facility. In 1970, that firm assigned the rights under its architectural services contract for the work (the "Contract") to the Respondent.

In or about 1971 or 1972, Respondent prepared or had prepared architectural designs and drawings for the Facility and construction of the Project was commenced. In or about 1973, the United States Department of the Interior ("Interior") retained Mr. Aram H. Mardirosian to coordinate certain design services for the Project and the Facility. "Beginning in July 1973, Mardirosian issued various highly critical reports on [Respondent's] work, including a recommendation, in August 1973, that he be replaced[.]"[1]

In October 1974, the government further defined its obligations in connection with the Project and the Facility. Thus, the Secretary of the Interior acknowledged in an October 31, 1974, letter to TRB:

> "*The Government shall be responsible for* management and payment for [the planning, design and construction of the Facility], including, subject to the terms of Paragraph 12 hereof, *sole and exclusive liability for claims incident thereto.*"
>
> TRP Exh. A at ¶ 9 (emphasis added)[2]

So as to leave no doubt that the United States assumed "*all* risk and liability" for the acts of its agents, paragraph 12 of this October 31, 1974, letter further provided in relevant part:

> "*Each party therefore agrees, . . . that it will assume all risk and liability of* itself, *its agents* or employees, for any injury to persons or property resulting in any manner from the conduct of its own operations, and the operations of its agents or employees hereunder, and *for any loss, cost, damage, or expense resulting at any time from any and all causes due to any act or acts,* negligence, or the failure to exercise proper precautions, *of* or by itself or *its own agents* or its own employees, in connection with or arising out of its activities related to the National

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1 *Mardirosian v. The American Institute of Architects and Seymour Auerbach*, 474 F. Supp. 628, 635 (D. D.C. 1979).

2 References to "TRP Exh." herein are to the respective Exhibits filed with the Circuit Court as part of the Record Excerpts in this case. Those Exhibits will be filed by Petitioner with this Court in the event that it should grant this Writ.

Visitor Center project."[3]

*Id.* at ¶ 12 (emphasis added)

On January 20, 1975, the Contract with Respondent was also amended to reflect "that the Department [of the Interior] will be the real party in interest in this Amendment to Contract with the full responsibility and liability incident thereto [.]" [TRP Exh. B-3] Thus, at all relevant times herein, the United States assumed "sole and exclusive liability" for claims which resulted from the acts of its agents in connection with the planning, design and construction of the Facility and was the "real party in interest" under the Contract.

The government was at all relevant times also in complete control of the Project and the Contract. This was documented by the court in *Mardirosian v. The American Institute of Architects and Seymour Auerbach*, 474 F. Supp. 628, 632 (D. D.C. 1979), as follows:

> "*By April 1975*, the point at which the formal construction bids, which had been solicited on [Respondent's] design plans were opened, *the government*, through the Secretary of the Interior, *was completely in control of the Visitor Center project, including [Respondent's] contract for architectural services.*[6]" (emphasis added)

"6 . . . the United States being the real party in interest . . . [, *t]here is no dispute that the federal government was the party actually exercising the owner's prerogatives under the [Respondent's] contract by April 1975.*" 474 F. Supp. 628, 632 n.6 (emphasis added).

3 The Circuit Court in the third and fourth lines on page 5 of its Slip Opinion in this case ("Slip op.") incorrectly stated that the original 1968 contract referred to by it at such point provided that "each party assumes liability for its own acts . . . ." As a matter of fact, this 1968 contract (which was not and is not part of the Record in this case) does not contain any such provision. Moreover, the Circuit Court also completely ignored the fact that, pursuant to this letter of October 31, 1974, the United States also assumed "sole and exclusive liability" for the acts of its own agents. Rather, the Circuit suggested that Petitioner cited evidence that the "United States released the railroads from liability." Slip op. at 5. Petitioner has never argued, however, that it was "released from liability" by the United States, but only that the United States "assume[d] all risk and liability . . . due to any act . . . of . . . its own agents." TRP Exh. A at ¶ 12.

The Project ran out of government funding in 1976 and work on the construction of the Facility was suspended. The Facility had by then already been approximately halfway constructed. The Secretary of the Interior thereafter directed that the Contract with Respondent should be terminated; and TRP and TRB, acting upon that direction, did in fact terminate the Contract on or about November 26, 1976.

**C. The United States Enters into an Agreement and Release to Settle Claims Made By Respondent Under the Contract.**

Before termination of the Contract in November 1976, certain legal disputes had arisen with respect to services performed by Respondent thereunder. To settle these disputes, the United States, acting through Interior, and other parties entered into an Agreement and Release, dated April 7, 1977, with Respondent pursuant to which: "Interior . . . release[d] [Respondent] . . . from any future claims . . . based on . . . future modifications of the drawings of [Respondent] which are not approved in writing by [Respondent] . . . [;] . . . Interior . . . further waive[d] any claims resulting from future use of [Respondent's] drawings for construction . . . [;] . . . and [Respondent agreed to] furnish to TRB reproducible copies of [such] drawings . . . ." [TRP Exh. C]

A hiatus of approximately four years thereafter ensued in the events relevant to this proceeding.

**D. The United States Contracts For the Completion of the Construction of the Facility.**

In 1981, Congress enacted the Union Station Redevelopment Act of 1981, 40 U.S.C. §§ 811-819 (the "Redevelopment Act"), to provide for resumption of the Project and "immediat[e] approv[al] [of] the completion of the [Facility]." 40 U.S.C. § 818(a). At the legislative hearings for the Redevelopment Act, Mr. Jack Fish, Interior's Director of the National Capital Region, noted:

> "Fifty percent of the upper four floors are constructed now. It would seem to me you could just take the

> [architectural] plans [for the Facility] that are in existence and continue . . . ."
>
> *Union Station National Visitors Center: Hearings on S. 1192 Before the Senate Committee on Environment and Public Works, 97th Cong., 1st Sess. 10 (1981)*

At those hearings, Mr. Thomas Downs, Director of the District of Columbia Department of Transportation ("DC DOT"), also observed:

> "Both the plans as built and the plans the contractor was using for construction at the time are already available."
>
> *Id.* at 12

The final Senate Committee report on the Redevelopment Act further reflects that: "The Committee expects [U.S.] DOT, which is given title to the garage, to take ultimate responsibility for operation, maintenance and liabilities. * * * Since *the garage project entails no significant change from previous designs and plans* for which full environmental filings were made . . . further filings are unnecessary." *Senate Committee on Environment and Public Works, Redevelopment Act*, S. Rep. No. 97-269, 97th Cong., 1st Sess. 16, *reprinted in* 1981 *U.S. Code Cong. & Ad. News* 2711, 2726 (emphasis added).

Pursuant to the Redevelopment Act, the Secretary of Transportation was authorized to take over from the Secretary of the Interior responsibility for completion of the construction of the Facility. 40 U.S.C. § 818(a). Under 40 U.S.C. § 818(b), Congress directed the Secretary of Transportation to enter into an agreement with DC DOT to administer the completion of the construction of the Facility. Acting pursuant to such direction, the Secretary of Transportation, through the Federal Highway Administration ("FHWA"), entered into an agreement with DC DOT, dated March 8, 1982 [TRP Exh. E], which required FHWA to approve and pay for the architectural plans and drawings which would be used to complete the construction of the Facility. This agreement further embodied the provision, required by 40 U.S.C. § 818(b), that "all right, title and interest in such parking facility shall remain in the United States."

In April 1982, DC DOT entered into a subcontract for engineering and design services with Sverdrup & Parcel

("S&P"), an architectural design firm which is also a defendant in this proceeding. S&P agreed to provide DC DOT with the construction plans and specifications for completion of the construction of the Facility. The subcontract between DC DOT and S&P expressly provided that: "All . . . designs, plans, [and] specifications . . . are subject to the review and approval of . . . US DOT." [TRP Exh. F]

In or about April 1982, Respondent's architectural plans and drawings were delivered by Interior to DC DOT and were, in fact, approved by FHWA for use in connection with the completion of the construction of the Facility [TRP Exh. H]. The United States also approved and paid for the architectural plans which are alleged to have infringed Respondent's plans (*see* TRP Exh. E; Slip op. at 4).

**E. The Proceedings Below**

In August 1985, Respondent filed a Complaint against Petitioner and nine other defendants[4] in the United States District Court for the District of Columbia. Respondent alleged that the architectural plans and drawings prepared at the behest of the United States by contractors and subcontractors of the United States under the mandate of the Redevelopment Act infringed the copyright which he asserted in the architectural plans he had previously prepared under the Contract. Jurisdiction was invoked under 28 U.S.C. § 1331 and § 1338(a).[5] Respondent sought both monetary damages and an

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4 The other defendants, which included engineering, architectural and design firms for the Project, are identified under the caption "PARTIES TO THE PROCEEDING," *supra*, at iii. The only basis upon which Petitioner was named as a defendant was that it allegedly was benefitting from the claimed infringement because it is a co-owner of the land on which the Facility is constructed [Complaint, ¶ 28]. Ownership of land, however, is an insufficient legal basis upon which to predicate an action for copyright infringement against a defendant. *Schuchart & Assoc., Professional Engineers, Inc. v. Solo Serve Corp.*, 540 F. Supp. 928, 948-49 (W.D. Tex. 1982). Accordingly, regardless of how the substantive legal merits may be decided in this case, the dismissal of the Complaint as to Petitioner, for failure to state a claim upon which relief can be granted, should have been mandated by the Circuit Court under Fed. R. Civ. P. 12(b)(6). *Id. See infra*, at 28 n.30.

5 Respondent also invoked the doctrine of pendent jurisdiction and alleged claims of breach of contract and conversion against Petitioner and

(*footnote continued*)

injunction to enjoin construction of the government-owned Facility.

Petitioner made a Motion for Summary Judgment or To Dismiss the Complaint on two independent legal grounds, *viz.*, 28 U.S.C. § 1498(b) and Fed. R. Civ. P. 19. Based on a Statement of Undisputed Material Facts, the District Court granted Petitioner's Motion for Summary Judgment or To Dismiss the Complaint under each of 28 U.S.C. § 1498(b) and Fed. R. Civ. P. 19, respectively. Respondent appealed the dismissal of his Complaint to the Circuit Court and during the appeal proceeded to (a) introduce evidence which was not part of the Record before the District Court;[6] (b) withdraw his request for injunctive relief to prevent continued construction of the Facility on behalf of the government; and (c) withdraw his claim for breach of the Contract.[7]

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other defendants as well as a claim of "Taking" by the District of Columbia in violation of the Fifth Amendment to the Constitution of the United States.

6 This evidence was objected to by Petitioner and included (i) an Affidavit of an employee of the National Park Service, expressly relied on by the Circuit Court at pages 10 and 11 of its Slip Opinion, to controvert an Affidavit [TRP Exh. H] previously submitted on behalf of Petitioner to the District Court to evidence the delivery of Respondent's plans by Interior to DC DOT and the approval of such plans by FHWA for use in connection with the construction of the Facility and (ii) a factually and legally inaccurate letter from a Patent Counsel in the Office of the General Counsel of the Department of Transportation (also expressly relied on by the Circuit Court at page 11 of its Slip Opinion) to show, among other things, that the U.S. government denied liability to Respondent in connection with the *ex parte* claim made by him against the United States for the alleged infringement in this case.

7 After dismissal of his Complaint, Respondent filed a parallel proceeding in the Superior Court of the District of Columbia against Petitioner and all but one of the other defendants in his original federal court action. The causes of action asserted in the Superior Court are "Conversion" and "Taking," which are predicated upon the identical facts of Respondent's federal lawsuit. Accordingly, if this Court were to grant this Writ, Petitioner would also request it to mandate the dismissal of Respondent's Superior Court action on the ground that 28 U.S.C. § 1498(b) preempts such action and provides the "exclusive remedy" for recovery of the "entire compensation" occasioned by alleged legal wrongs predicated upon the same factual circumstances which encompassed the alleged infringing activity herein. *See Sperry Gyroscope Co. v. Arma Engineering Co.*, 271 U.S. 232, 235 (1926),

*(footnote continued)*

The Circuit Court reversed the judgment of the District Court under 28 U.S.C. § 1498(b) and ruled that the government must have specifically "authorized or consented to the copyright infringement" of Respondent's plans [Slip op. at 10], as demonstrated by "explicit acts or extrinsic evidence sufficient to prove the government's intention to accept liability for a specific act of infringement" [Slip op. at 2], in order for the statute to become operative. In addition, although the District Court granted summary judgment upon the basis of undisputed facts on alternative grounds, the Circuit Court did not consider whether the judgment below could have been independently affirmed on the basis of Fed. R. Civ. P. 19 or on the basis of the other grounds advanced by the Appellees in the Circuit Court. It simply, but erroneously, determined that the dismissal of the Complaint under 28 U.S.C. § 1498(b) had been a dismissal for want of jurisdiction and remanded the case to the District Court.

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and Letter from Franklin Roosevelt to the Chairman of the Senate Committee on Naval Affairs (Apr. 20, 1918), *infra*, at 16 n.17. To allow a plaintiff to circumvent 28 U.S.C. § 1498(b) by characterizing causes of action differently, so as indirectly to accomplish what such party could not directly accomplish because of such law, would be to exalt form over substance and "would in very large measure defeat [the] purpose [of the statute]." *Bereslavsky v. Esso Standard Oil Co.*, 175 F.2d 148, 150 (4th Cir. 1949).

## REASONS FOR GRANTING THE WRIT[8]

## I.

## THE CIRCUIT COURT'S ERRONEOUS INTERPRETATION OF 28 U.S.C. § 1498(b), WHICH IMPLEMENTS IMPORTANT NATIONAL POLICIES, HAS VIRTUALLY NULLIFIED THE OPERATION OF THAT FEDERAL STATUTE.

### A. The Plain Language of the Statute Evidences the Circuit Court's Misinterpretation of 28 U.S.C. § 1498(b).

On its face, 28 U.S.C. § 1498(b) relegates a copyright owner to a suit against the United States in the Court of Claims as an exclusive remedy:

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8 Petitioner respectfully submits that the reasons for granting the Writ can be summarized as follows:

1. The case involves a matter of significant national importance, *viz.*, the determination of the proper scope of the legal responsibility of the United States for the actions of its contractors and subcontractors under a federal statute. *See infra*, at 14-16. This Court recently heard oral argument in the case of *Boyle v. United Technologies Corp.*, 792 F.2d 413 (4th Cir. 1986), *cert. granted*, _____ U.S. _____, 107 S. Ct. 872 (1987) (No.86-492), a suit which involves the question of the proper scope and application of the so-called "government contractor defense." Petitioner respectfully submits that analogous issues presented by this case are as significant as those before this Court in the *Boyle* case.
2. The case involves a clear conflict with prior United States Supreme Court precedent. *See infra*, at 26-28. *See also*, *infra*, at 16.
3. The case involves conflicts among Federal Circuit Courts of Appeal. *See infra*, at 19-23.
4. The case involves the effective abrogation of a federal statute by judicial decision. *See infra*, at 10-13.
5. The case involves a "rarely construed" statute [Slip op. at 6] and fundamental legal misinterpretations which undermine the integrity of federal copyright protection. *See infra*, at 23-26.
6. The case involves a unique national monument and landmark, which could be impacted by the decision in this matter.

In the ordinary course of events, any one of the above elements might perhaps make this case an appropriate one for decision by this Court. However, the unique confluence of all of these elements herein makes this a matter particularly befitting of review by this Court.

> ". . . whenever the copyright in any work protected under the copyright laws of the United States shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a contractor, subcontractor, or any person, firm, or corporation acting for the Government and with the authorization or consent of the Government . . . ."

The plain language of the statute shows that the words "acting for the Government and with the authorization or consent of the Government" form a single compound participial phrase which modifies, or refers solely to, the immediately antecedent prepositional phrases, *i.e.*, the prepositional phrases beginning with the words "by a contractor."[9] The statutory words "with the authorization or consent of the Government" are conjoined to the additional statutory words "acting for the Government" by the conjunction "and" so as to form a single compound phrase. Thus, such words must be read together and be deemed to refer to the immediately antecedent prepositional phrases which precede them.[10]

Yet, the Circuit Court construed 28 U.S.C. § 1498(b) so that it would become operative only if the specific act of the "*in-*

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9 As noted in 2A *Sutherland Stat. Const.* § 47.33 (4th Ed. 1986) at 245, "[r]eferential and qualifying words . . . refer solely to the last antecedent. The last antecedent is 'the last word, phrase or clause that can be made an antecedent without impairing the meaning of the sentence.' " (footnote omitted)

10 Accordingly, if a person were both acting for the United States and acting with the authorization or consent of the United States, and, in the course of so acting, such person committed a non-criminal or innocent infringement of a copyright, the exclusive remedy of the owner of the copyright must be by action against the United States in the Claims Court under 28 U.S.C. § 1498(b). As demonstrated by its legislative history, Section 1498(b) would not be available as a defense for willful or criminal infringement: "Further question was raised as to whether the bill would relieve willful infringement by contractors, or others, and transfer such liability to the U.S. Government . . . . The committee, after a study of the language of the bill, believes that such is not the case." *Report of Senate Committee on the Judiciary, Infringement of Copyrights By the United States*, S. Rep. No. 1877, 86 Cong., 2d Sess., *reprinted in* 1960 *U.S. Code Cong. & Ad. News* 3444 (hereinafter "Legislative History" cited to page numbers in 1960 *U.S. Code Cong. & Ad. News*); *see United States v. McCool*, 751 F.2d 1112 (9th Cir. 1985).

*fringement* [itself] . . . [is] authorized or consented to by the government."[11] Slip op. at 8 (emphasis in original). The practical effect of this construction is (i) to construe the statute so that the words "with the authorization or consent of the government" are taken out of context and used to modify the word "infringed" and (ii) largely to nullify the operation of a federal statute by judicial interpretation [*see Bereslavsky v. Esso Standard Oil Co.*, 175 F.2d 148 (4th Cir. 1949), *infra*, at 20]. Inasmuch as this reading distorts the plain language of

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11 The Circuit Court stated in full: "Rather, the statute stands for the more limited proposition waiving immunity for third-party *infringements* that are authorized or consented to by the government." Slip op. at 8 (emphasis in original). Such authorization or consent would of necessity have to be an "informed" or "knowing" authorization or consent to be legally effective. [*See Restatement (Second) of Torts*, § 10A (1965): "The word 'consent' is used . . . to denote willingness in fact that an act or an invasion of an interest shall take place."] Thus, if the government authorized or consented to a specific act of copying, but did not know that such act of copying also *per se* constituted an infringement, it would under the standard adopted by the Circuit Court be able to assert that it had not authorized or consented to an infringement *qua* infringement under 28 U.S.C. § 1498(b), but only to an act of copying which it did not also know was in and of itself an infringement. Petitioner respectfully submits that such result would virtually nullify the operation of the statute.

Indeed, the practical application of the Circuit Court's interpretation of the statute would mandate a District Court finding that the elements of a federal criminal violation of the copyright laws were present in this case. Under federal copyright law, the only two elements of a criminal violation are (i) a willful infringement for purposes of (ii) commercial advantage or private financial gain. 17 U.S.C. § 506(a).

Respondent has alleged in his Complaint, and solely for purposes hereof, Petitioner does not deny that commercial advantage or private financial gain accrued to the person or persons alleged to have infringed Respondent's alleged copyright. Accordingly, if the District Court has to find that the government authorized or consented to a specific act of infringement *qua* infringement (*i.e.*, that there was a willful infringement) for 28 U.S.C. § 1498(b) to become operative herein, the elements of a federal crime would be present as a result. The legislative history of the statute and case law, however, make it clear that willful and criminal infringements are excluded from the coverage of Section 1498(b) [Legislative History at 3444, *supra*, at 11 n.10; *United States v. McCool*, 751 F.2d 1112 (9th Cir. 1985)]. Thus, Petitioner submits that the Circuit Court's misreading of 28 U.S.C. § 1498(b) is not only contrary to the legislative history and judicial interpretation of the statute, but also is tantamount to a judicial evisceration of such law and so should be rejected. *See infra*, at 18 n.20.

the statute,[12] violates fundamental principles of statutory construction and renders the word "and" after the phrase "acting for the government" utterly without meaning, it should not be permitted to be sustained.

**B. The Legislative History and Congressional Policy of 28 U.S.C. § 1498, as Interpreted By This Court, Belie The Circuit Court's Construction of 28 U.S.C. § 1498(b).**

The Circuit Court ruling requires proof of *scienter* or knowing intent on the part of the United States to authorize or consent to a specific act of infringement, *qua* infringement, to establish a defense under § 1498(b). Slip op. at 2, 8, 10. The legislative history of the statute shows, however, that the United States intended to accept responsibility under 28 U.S.C. § 1498(b) for innocent and unintentional acts of third-party infringement which it did not specifically authorize, but which were committed by persons acting in the course and within the scope of their authorized employment for the government. Thus, writing in support of the enactment of 28 U.S.C. § 1498(b), the Acting Director of the United States Information Agency expressly noted:

> "*When rights* protected by the copyright laws of the United States *are unintentionally infringed* through use of materials . . . we believe that an opportunity for recovery of just compensation should be available to the rights holder, and *the proposed legislation would provide for* such *recovery* in case of infringement of statutory copyrights."
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> *Letter from Mr. Abbott Washburn to Hon. Emanuel Celler* (Dec. 3, 1955), *reprinted in* Legislative History at 3451, 3452 (emphasis added)

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12 This Court has cautioned against the type of statutory interpretation which results in "judicial legislation" and which was indulged in by the Circuit Court in this case. *See Palmer v. Massachusetts*, 308 U.S. 79, 83 (1939). Where the language of a statute is clear, a court cannot be permitted to assume an intention at odds with such language because it imports a meaning with which the court disagrees; words cannot be taken out of context to produce an unreasonable result which may be compatible with what the court believes a statute should mean. *Cf. Kirk v. Smith*, 22 U.S. (9 Wheat.) 241, 282 (1824).

*See Letter from Mr. L. Quincy Mumford to Hon. Emanuel Celler* (Nov. 25, 1955), *reprinted in* Legislative History at 3450-51. The legislative history of the statute thus demonstrates that the United States under 28 U.S.C. § 1498(b) intended to assume liability for innocent infringements by its contractors or agents who are acting for the United States in the course and scope of activities authorized by the United States.[13]

More fundamentally, however, the Circuit Court's interpretation of the statute is at odds with the underlying policy of 28 U.S.C. § 1498, as determined by this Court in *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331 (1928).[14] The contrast between the Circuit Court and this Court in such regard is highlighted in the juxtaposition of the following respective passages from each court's opinion:

> *Circuit Court in this Case*:
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> "As we read the statute, it effects a policy that *government* wrongdoing in the realm of copyright infringement not go uncompensated."[15]
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> Slip op. at 7
> (emphasis in original)

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13 *See Decca Ltd. v. United States*, 640 F.2d 1156, 1167 n.15 (Ct. Cl. 1980), *cert. denied*, 454 U.S. 819 (1981): "Of course, governmental use . . . can occur . . . through actions by contractors specifically authorized by the Government to engage in the actions for the Government."

14 This Court in *Richmond Screw* interpreted the statute which was subsequently codified in 28 U.S.C. § 1498(a). 28 U.S.C. § 1498(b), however, was enacted to extend to holders of copyrights the same legal protection as was enjoyed by holders of patents under 28 U.S.C. § 1498(a). *See* Legislative History 3444, 3453: "Furthermore, it seems illogical to treat copyright infringements by the United States differently from patent infringements, in view of the common philosophy which sustains copyright and patent protection on the part of the Federal Government." Accordingly, these two companion statutes should be construed *in pari materia*. *See Erlenbaugh v. United States*, 409 U.S. 239, 243-44 (1972).

15 This reading by the Circuit Court does not comport with the principle of statutory interpretation cited by this Court in *Bate Refrigerating Co. v. Sulzberger*, 157 U.S. 1, 38 (1895): "Of course, this court would hesitate to accept any construction of an act of Congress that would imply bad faith upon the part of the government." *See Decca Ltd. v. United States*, 640 F.2d 1156, 1166 (Ct. Cl. 1980), *cert. denied*, 454 U.S. 819 (1981): "Because section 1498 authorizes the Government to take a license . . . the Government is never 'guilty' of 'direct infringement' . . . insofar as 'direct infringement' connotes tortious or wrongful conduct."

*Supreme Court in Richmond Screw*:

"The intention and purpose of Congress . . . was to stimulate contractors to furnish what was needed . . . without fear of becoming liable themselves for infringements . . . ."

* * *

"To accomplish this governmental purpose, Congress exercised the power to take away the right of the owner . . . to recover from the contractor for infringements."

* * *

"It is an attempt to take away from a private citizen his lawful claim for damage to his property by another private person which but for this Act he would have against the private wrongdoer."

275 U.S. 331, 345

Thus, the statute also effects a policy that *private* wrongdoing by a government contractor or subcontractor, acting for the government and within the scope of specific activities authorized or consented to by the government, should not go uncompensated.

The Circuit Court further evidenced its misunderstanding of the policy of the statute when it noted:

"Manifestly, the government in this statute is not obligated to act as an insurer for the infringement actions of any third party acting for the government . . . ."[16]

* * *

"To interpret the statute in this manner is to convert a governmental waiver of sovereign immunity into a government insurance plan for the torts of its agents. We reject this reading. When the government authorizes an 'action' by a third party, it is not therefore liable for any copyright infringement the third party may choose to undertake within the sphere of the authorized activity."

Slip op. at 8

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16 Petitioner submits that the United States can no more properly be legally characterized as an "insurer" under the statutory interpretation suggested by it than can any other person who was "completely in control" of a matter and who assumed "sole and exclusive liability for claims incident [thereto]" can be deemed to be an "insurer" if they are legally held to account under the doctrines of *respondeat superior*, principal-agent, or master-servant for legal wrongs committed by third parties acting on their behalf and within the scope of specific activities which had been authorized or consented to by the person sought to be held liable.

The flaws in this portion of the Circuit Court's opinion are twofold. First, the Circuit Court further misapprehends the policy of 28 U.S.C. § 1498 as determined by this Court in *Richmond Screw*, *supra*, at 14. This contrast again can be highlighted in the following respective passages from each court's decision:

> *Circuit Court in this Case*:
>
> "Manifestly, the government in this statute is not obligated to act as an insurer for the infringement actions of any third party acting for the government . . . ."
>
> Slip op. at 8
>
> *Supreme Court in Richmond Screw*:
>
> ". . . *the Act . . . makes the Government indemnitor for its manufacturer or contractor in his infringements.*"
>
> 275 U.S. 331, 346
> (emphasis added)

Accordingly, the Circuit Court's reading of the statute under the circumstances of the present case in a way which fails to give full effect to the Congressional policy[17] behind 28 U.S.C. § 1498, as determined by this Court, should not be allowed to stand.[18]

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17 The intent and purpose of 28 U.S.C. § 1498 is further evidenced by an excerpt from a letter written by then Acting Secretary of the Navy Franklin Roosevelt to the Chairman of the Senate Committee on Naval Affairs (Apr. 20, 1918), in which letter Mr. Roosevelt noted:

> " 'Now, however, manufacturers are exposed to expensive litigation, involving the possibilities of prohibitive injunction, payment of royalties, rendering of accounts, and payment of punitive damages, and they are reluctant to take contracts that may bring such severe consequences.' "
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> *Reprinted in Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 342-43 (1928)

The rationale for 28 U.S.C. § 1498 applies with equal force and vigor in 1987. Moreover, the federal government could itself experience "severe consequences" with potential contractors in the event it were not to fulfill its responsibilities under the statute. Petitioner respectfully submits that this is particularly true in a case where the United States was "completely in control" and assumed "sole and exclusive liability" for the claims here at issue.

18 In support of its interpretation of 28 U.S.C. § 1498(b), the Circuit Court cites 48 C.F.R. §§ 1227.401-71(b)(6)(ii) and 1252.227-71(a)(c)(2) (1986)

(*footnote continued*)

Second, the Circuit Court erroneously reads Petitioner's suggested test for interpretation of the statute by misinterpreting that test so that it would impose liability upon the government "for any copyright infringement [a] third party *may choose* to undertake within the sphere of the authorized activity." Slip op. at 8 (emphasis added). This is far from what is being suggested by Petitioner in this case. To the extent that a third party might knowingly or willfully "choose" to infringe a copyright for its own profit or commercial advantage, the defense afforded by the statute would not be available. Legislative History at 3444, *supra*, at 11 n.10; *United States v. McCool*, 751 F.2d 1112 (9th Cir. 1985). The Circuit Court's misunderstanding in this regard only further compounds the error in its interpretation of the statute and raises issues which call out for clarification by this Court.

### C. Considerations of Sovereign Immunity Do Not Preclude the Operation of 28 U.S.C. § 1498(b) In This Proceeding.

The Circuit Court also attempted to justify its restrictive reading of 28 U.S.C. § 1498(b) by resort to the "general rule" of sovereign immunity. Slip op. at 7. This *general* rule, however, has no proper application where a *specific* statute unambiguously waives immunity.[19] As stated by this Court in *United States v. Aetna Casualty & Surety Co.*, 338 U.S. 366, 383

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for the proposition that "contractors to U.S. DOT [are] generally required to obtain prior written permission to incorporate copyrighted material." Slip op. at 10. Both of these regulations, however, are not relevant to this case because they (i) were promulgated long after the relevant contractual agreements under the Redevelopment Act had been entered into in this case and (ii) by their express terms only apply to data which contains a copyright notice under 17 U.S.C. § 401 or 402. The Record herein clearly demonstrates that no such copyright notice appeared on the architectural plans and drawings which Respondent claims were infringed by the defendants in this action.

19 *See* 3 *Sutherland Stat. Const.* § 62.02 (4th Ed. 1986) at 123: "Like other rules of statutory interpretation [,] the rule [of strict construction of statutes in derogation of sovereignty] is subject to limitations and exceptions. Where a statute expressly includes the government there is no room for the operation of the rule, and a statute of this nature, like any other, is entitled to receive a sensible and reasonable treatment."

(1949), quoting *Anderson v. Hayes Construction Co.*, 243 N.Y. 140, 147, 153 N.E. 28, 29-30 (1926):

> " 'The exemption of the sovereign from suit involves hardship enough where consent has been withheld. We are not to add to its rigor by refinement of construction where consent has been announced.' "

The better approach, as previously articulated by this Court, is not one which mandates unreflecting strict construction, but one which considers whether the statute "can fairly be interpreted" as contemplating governmental liability.[20] *United States v. Testan*, 424 U.S. 392, 400 (1976). The United States Claims Court, in *Navajo Tribe v. United States*, 586 F.2d 192, 201 (Ct. Cl. 1978), *cert. denied,* 441 U.S. 944 (1979), has offered further guidance in this regard, noting that:

> "It has never been the rule that consents-to-suit must be given the narrowest possible scope or that legislation granting jurisdiction of actions against the sovereign must be read apart from history, legislative purpose, or the dictates of common sense."

Moreover, the statute here in question is much more than just a waiver of immunity, it is an affirmative assumption of liability by the government. This Court confirmed such fact in *Richmond Screw*, *supra*, at 14, when it observed:

> "As the Solicitor General says in his brief with respect to the Act, it is more than a waiver of immunity and effects an assumption of liability by the Government."
>
> 275 U.S. 331, 343-44

*A fortiori*, the principle of strict construction of statutes in derogation of sovereign immunity should not be deemed sufficient to defeat the operation of a statute which entails policy considerations of much more than the immunity of the sover-

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20 As demonstrated *supra*, at 12 n.11, the Circuit Court's strict construction of 28 U.S.C. § 1498(b) has virtually nullified the operation of the statute. As noted by this Court: " 'The process of interpretation also misses its high function if a strict reading of a law results in the emasculation or deletion of a provision which a less literal reading would preserve.' " *Cox v. Roth*, 348 U.S. 207, 209 (1955), *quoting Markham v. Cabell*, 326 U.S. 404, 409 (1945).

eign.[21] In addition, the specific intent of the sovereign to waive immunity by its express written assumption of "sole and exclusive liability for claims," and the statement in the legislative history of the Redevelopment Act that the Senate Committee "expects [U.S. Department of Transportation], which is given title to the garage, to take ultimate responsibility for . . . liabilities" [*Senate Committee on Environment and Public Works, Redevelopment Act*, S. Rep. No. 97-269, 97th Cong., 1st Sess. 16, *reprinted in* 1981 *U.S. Code Cong. & Ad. News* 2711, 2726], should bar the use of the general principle of sovereign immunity to frustrate the application of 28 U.S.C. § 1498(b) herein.

## II.

## THERE IS A CONFLICT IN CIRCUITS AS TO THE PROPER SCOPE OF THE LEGAL RESPONSIBILITY OF THE UNITED STATES OF AMERICA FOR THE ACTIONS OF ITS CONTRACTORS AND SUBCONTRACTORS UNDER 28 U.S.C. § 1498.

As a result of its misreading of Section 1498(b) and its misunderstanding of the policy of the statute, the Circuit Court would require findings that the government intended to authorize or consent to a specific act of infringement as a precondition to the ability of Petitioner to be able successfully to invoke such statute as an affirmative defense. Slip op. at 2, 8, 10. The necessity to demonstrate such intent would perforce result in Petitioner having to prove that the United States knowingly or willfully authorized or consented to an infringement, *qua* infringement, under 28 U.S.C. § 1498(b). *See supra*, at 12 n.11. This substantive aspect of the ruling by the Circuit Court conflicts with the interpretation of 28 U.S.C. § 1498 by the United States Court of Appeals for the Fourth Circuit in *Bereslavsky v. Esso Standard Oil Co.*, 175 F.2d 148 (4th Cir. 1949).

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21 The addition of provisions to the statute related to the United States' acceptance of liability under 28 U.S.C. § 1498 for acts by a contractor, a subcontractor, or any person, firm or corporation acting for the government and with the authorization or consent of the government "was intended to *broaden, rather than to narrow, the scope of that statute.*" *Drexler v. Koza*, 88 F. Supp. 298, 300 (W.D. Pa. 1950) (emphasis added).

In *Bereslavsky*, the defendant allegedly infringed a patent in the course of its production of motor fuel for, and under contract with, the government. The contract did not provide for delivery of a product which would infringe a patent. Nonetheless, the court held that 28 U.S.C. § 1498(a) applied and accordingly plaintiff had to pursue his remedy by suit against the United States in the Claims Court. The conflict can be easily discerned in the relevant portions of the following respective judicial opinions:

> *Circuit Court in this Case*:
> ". . . appellees [must] establish that the government authorized or consented to the . . . infringement . . . ."
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> Slip op. at 10
>
> *Fourth Circuit in Bereslavsky*:
> ". . . there is no language in the statute which limits its application to cases where the government contracts expressly for what will infringe . . . . To limit the application of the statute to cases where officers of the government intentionally contract for . . . infringement would in very large measure defeat its purpose."[22]
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> 175 F.2d at 150

The District Court in *Bereslavsky* more explicitly noted:

> "Plaintiff contends . . . that an infringement, to be covered by the Court of Claims statute, must itself be made with the express authorization or consent of the Government . . . ."
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> "We are satisfied that there is no merit in this contention."[23]
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> 82 F. Supp. 939, 943 (D. Md. 1949), *aff'd*, 175 F.2d 148 (4th Cir. 1949)

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22 *Accord*, *Molinaro v. Watkins-Johnson CEI Division*, 359 F. Supp. 467 (D. Md. 1973).

23 The Circuit Court attempted to distinguish *Bereslavsky* on the grounds that it was a patent infringement suit in which consent was implied by necessity. Slip op. at 9. Petitioner respectfully suggests that such attempt to distinguish *Bereslavsky* is without substantive legal significance. First, as

(*footnote continued*)

Indeed, to limit 28 U.S.C. § 1498(b) as suggested by the Circuit Court in this case would, without doubt, defeat both the policy and purpose of such statute.

The opinion of the Circuit Court below also conflicts in principle with the decision of the Fifth Circuit in *Croll-Reynolds Co., Inc. v. Perini-Leavell-Jones-Vinell*, 399 F.2d 913 (5th Cir. 1968), *cert. denied*, 393 U.S. 1050 (1969). In *Croll-Reynolds*, government contractors provided concrete cooling equipment which was used in connection with the construction of a dam. Their contract contained a provision covering the use of inventions, but did not require that the cooling be done by any particular method or process. The equipment which was alleged to have infringed plaintiff's patent, however, was approved and paid for by the government. The Fifth Circuit held that 28 U.S.C. § 1498(a) was applicable under such circumstances and affirmed the dismissal of the Complaint by the District Court.

The conflict in principle between the opinion of the Circuit Court in this case and the Fifth Circuit in *Croll-Reynolds*

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demonstrated *supra*, at 14 n.14, patent and copyright holders should be deemed to enjoy equal individual substantive legal rights under 28 U.S.C. § 1498(a) and 28 U.S.C. § 1498(b), respectively. Second, one may legitimately question whether it is ever "necessary" to commit an infringement. To the extent that such question may be answered in the affirmative, Petitioner disagrees with the Circuit Court's statement that "no permutation of necessity operates in the present case." Slip op. at 9. Under 40 U.S.C. § 818(b), when Congress mandated the "immediate" completion of the Facility it was aware that the "garage project entail[ed] no significant change from previous designs and plans . . . ." *Senate Committee on Environment and Public Works, Redevelopment Act*, S. Rep. No. 97-269, 97th Cong., 1st Sess. 16, *reprinted in* 1981 *U.S. Code Cong. & Ad. News* 2711, 2726. In order to accomplish the Congressionally mandated immediate completion of the Facility, which entailed no significant change from previous designs and plans, Petitioner submits that *ex necessitate* the government contractors in this case would have had to use and copy the plans prepared by Respondent. Indeed, the Facility had already been substantially constructed prior to the enactment of the Redevelopment Act, and thus the contractors realistically and practically had no choice to redesign and replan a structure which had already been approximately half-built. Petitioner thus further submits that the consent of the government under 28 U.S.C. § 1498(b) can most certainly be implied by necessity under the facts and circumstances of this case.

relates to the specific question of what actions are legally sufficient to constitute "authorization or consent" by the government within the meaning of 28 U.S.C. § 1498. The Record in the case at bar demonstrates that the allegedly infringing plans were approved and paid for by the United States (*see* TRP Exh. E; Slip op. at 4). Yet, the Circuit Court states there was "no evidence in the record . . . that the United States authorized or consented to the [infringement] . . ." under 28 U.S.C. § 1498(b). Slip op. at 11. The conflict in principle becomes manifest when the preceding facts and finding are contrasted with the following holding of the Fifth Circuit in *Croll-Reynolds*:

> "The Government approved the cooling equipment and facilities and, as its contract required, made payment for it. * * * *The approval and payment evidences, conclusively, we think, the Government's authorization and consent.*"[24]
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> 399 F.2d 913, 915,
> *cert. denied*, 393 U.S. 1050 (1969)
> (emphasis added)

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24 The Court in *Bereslavsky*, *supra*, at 19, in support of its decision cited the opinion of the Judge Advocate General of the Army, dated February 8, 1943 (Bulletin of the Judge Advocate General, vol. II, pp. 75-76) to the effect that:

> " 'Authorization or consent' on the part of the Government may be given in many ways other than by letter or other direct form of communication. * * * the specifications and the contract may be silent with respect to the use of patented inventions. In such event, *if the invention for which claim is made is incorporated in the articles delivered to the United States under the terms of the contract, the acceptance of such articles as complying with the terms of the contract, constitutes 'consent' by the Government* sufficient to bring the articles within the provisions of [28 U.S.C. § 1498(a)] and forms the basis for the transfer of jurisdiction over any claim for compensation therefor from the District Court to the Court of Claims * * *."
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> 175 F.2d at 151
> (emphasis in original)

By parity of reasoning, the approval and payment for the allegedly infringing plans in this case *ipso facto* should be deemed sufficient to evidence the necessary consent of the government to trigger the application of 28 U.S.C. § 1498(b) herein.

In sum, given the nature of these conflicts among the Circuit Court in this case and the Fourth Circuit in *Bereslavsky* and the Fifth Circuit in *Croll-Reynolds* as to the proper application of 28 U.S.C. § 1498, review by this Court of the issues raised herein is particularly apposite.

## III.

## THE CIRCUIT COURT'S OPINION CONTRAVENES BASIC PRINCIPLES OF FEDERAL COPYRIGHT LAW AND UNDERMINES THE INTEGRITY OF FEDERAL COPYRIGHT PROTECTION.

In its opinion in this case, the Circuit Court stated:

> "Furthermore, while the measure of damages for violation of copyright could turn on the use to which the copy was put, the tort itself would be complete when the copy was made. The fact that the federal government might benefit from the copying because it subsequently will have ownership of the [Facility] does not make the United States a party to the copyright violation."
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> Slip op. at 10

The first sentence of this passage glosses over the fact that, while the tort was complete when the copy was made, such act, under the circumstances of this litigation, would have given rise to a case of minimal damages at best. It was only when the United States paid for and approved the allegedly infringing plans for use in connection with the construction of the Facility that the real damage in this case may have taken place. Moreover, since "authorization and consent" to infringement within the meaning of 28 U.S.C. § 1498 can be retroactive [*see Hughes Aircraft Co. v. United States*, 534 F.2d 889, 901 (Ct. Cl. 1976)[25]], the government's *post facto* payment for, and

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25 The Court in the *Hughes* case, in construing 28 U.S.C. § 1498(a), also observed: "Nor, finally, is there any requirement that authorization or consent necessarily appear on the face of the particular contract.[16] On the contrary, 'authorization or consent on the part of the Government may be given in many ways other than by letter or other direct form of communication'—*e.g.*, by contracting officer instructions [or] by specifications or drawings which impliedly sanction and necessitate infringement . . . ." * * *

*(footnote continued)*

approval of the use of, the allegedly infringing plans "evidences, conclusively, . . . the Government's authorization and consent" in this case. *Croll-Reynolds, supra,* at 21; 399 F.2d 913, 915 (5th Cir. 1968), *cert. denied*, 393 U.S. 1050 (1969).

The determination of the Circuit Court that the United States could not be deemed a "party to the copyright violation" is also a flat-out misinterpretation of federal copyright law under the circumstances of this case. As noted in 3 Nimmer, *Copyright* § 12.04 [A] (2d Ed. 1986):

> "[Related defendant] liability [for copyright infringement] has sometimes been explained as an application of the principle that a master is civilly liable from the wrongful acts of his servant performed within the scope of his employment even if such acts are done without express authority or contrary to orders. However, liability under the doctrine of related defendants exceeds the traditional scope of the master servant theory. * * * Even in the absence of an employer-employee relationship one may be liable as a related defendant [for copyright infringement] if he has the right and ability to supervise the infringing activities and also has a direct financial interest in such activities."
>
> * * *
>
> "*Lack of knowledge that the employee or independent contractor is actually engaged in infringing conduct is not a defense.*"
>
> *Id.* at 12-38, 12-40 (footnotes omitted and emphasis added)

Thus, the direct financial interest of the United States via its ownership of the Facility (40 U.S.C. § 818(b)), its being "completely in control" of the Project and the "real party in interest" under the Contract, and its approval and payment for the allegedly infringing plans [*see* Slip op. at 4; TRP Exh. E],

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"16. Nor, it must be noted, need the U.S. be a direct party to the contract at issue where, as here, circumstances unquestionably indicate that the U.S. was to be a principal beneficiary thereof. ***"

could indeed, contrary to the assertion by the Circuit Court noted above, make the United States a party to the alleged copyright violation in this case under the so-called related defendants doctrine of federal copyright law.[26]

The Circuit Court further compounds its misinterpretation of federal copyright law when it states in its opinion:

> "We reverse and find as a matter of law that *the government* waiver of immunity by authorization and consent *requires* explicit acts or extrinsic *evidence sufficient to prove the government's intention to accept liability for a specific act of [copyright] infringement*."
>
> Slip op. at 2
> (emphasis added)

This finding by the Circuit Court contravenes additional basic tenets of copyright law. Prior to the decision in this case, the question of "intent" was irrelevant in establishing responsibility for a copyright infringement, inasmuch as an action for such infringement heretofore required proof of only two elements: ownership of the copyright by the plaintiff and copying by the defendant. 3 Nimmer, *Copyright* § 13.01 (2d Ed. 1986). The Circuit Court would require a third element where the United States is implicated, namely, that the government *intend* to accept liability for an infringement of a copyrighted work by one of its contractors or subcontractors.

It is well recognized, however, that innocent intent is no defense to an infringement action. 3 Nimmer, *Copyright* § 13.08 (2d Ed. 1986). Such a defense, if permitted, would substantially erode the essential protection of copyright. As the Second Circuit observed in *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 722 F.2d 988, 999 (2d Cir. 1983):

> ". . . the problems of proof inherent in a rule that would permit innocent intent as a defense to copyright infringe-

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26 Although the United States could thus properly be deemed to be "a party to the copyright violation" in this case, the government may nonetheless not be liable to Respondent solely under the related defendants doctrine for such violation because of its sovereign immunity. Rather, Respondent's "exclusive remedy" for the alleged infringement herein would have to be solely under 28 U.S.C. § 1498(b) by action against the United States in the Claims Court.

ment could substantially undermine the protections Congress intended to afford to copyright holders."

Nonetheless, what the Circuit Court has done in this case is effectively to establish two classes of liability under the federal copyright laws:

(i) one for the United States, which must intend to accept liability for a specific act of infringement by its contractors and subcontractors (Slip op. at 2, 7), and

(ii) one for all other persons, for whom the issue of intent to accept liability for a specific act of infringement by one of their contractors or subcontractors is just simply not relevant. *See* 3 Nimmer, *Copyright* § 12.04 [A], 12-38, 12-40, *supra*, at 24.

The Circuit Court's rewriting of federal copyright law in this regard is both without precedent and without merit. Its injection of the element of intent as a relevant consideration in an action to establish responsibility under federal copyright law could "substantially undermine the protections Congress intended to afford to copyright holders." *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 722 F.2d 988, 999 (2d Cir. 1983). Accordingly, considerations of the integrity of the system of federal copyright protection warrant that the opinion of the Circuit Court herein should not be permitted to stand uncorrected.

## IV.

## THE CIRCUIT COURT DEPRIVED PETITIONER OF DUE PROCESS OF LAW AS A RESULT OF ITS FAILURE TO CONSIDER WHETHER THE DISTRICT COURT'S DISMISSAL OF THE COMPLAINT IN THIS ACTION UNDER FED. R. CIV. P. 19 COULD SUSTAIN SUCH DISMISSAL ON APPEAL.

### A. The Circuit Court Incorrectly Held the Dismissal of the Complaint by the District Court under 28 U.S.C. § 1498(b) to be a Dismissal for Lack of Jurisdiction.

Nowhere in the judgment of the District Court in this case did it state that its dismissal of the Complaint under U.S.C.

§ 1498(b) was a dismissal for lack of jurisdiction.[27] The Circuit Court, however, held that the dismissal was for lack of jurisdiction [Slip op. at 2, 12], creating a ruling in conflict with the decision of this Court in *Sperry Gyroscope Co. v. Arma Engineering Co.*, 271 U.S. 232 (1926).[28] This conflict can be seen in the following respective passages from each court's opinion:

> *Circuit Court in this Case*:
> ". . . the case before us concerns a dismissal for want of jurisdiction [under 28 U.S.C. § 1498(b)]."
>
> Slip op. at 12
>
> *Supreme Court in Sperry Gyroscope*:
> "The argument is that the Act . . . deprived the District Court of jurisdiction over the controversy between the present parties because it limited the . . . owner's remedy, under circumstances like those here disclosed, to a suit against the United States in the Court of Claims. But we think this contention goes to the merits of the matter, and not merely to the question of jurisdiction. * * * *There was jurisdiction.*"
>
> 271 U.S. 232, 235-36
> (emphasis added)

Under ordinary circumstances, it might have been harmless error for the Circuit Court to have misconstrued 28 U.S.C. § 1498(b) as a jurisdictional statute, rather than as a statute which affords the affirmative defense of "exclusive remedy" to a litigant. However, in this case, the error had an impermissible

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27 Although Petitioner asserted the statute in the District Court as a jurisdictional defense in its "Motion For Summary Judgment or To Dismiss the Complaint," upon further consideration and in light of this Court's decision in *Sperry Gyroscope Co. v. Arma Engineering Co.*, 271 U.S. 232 (1926), Petitioner thereafter asserted the statute as the affirmative defense of "exclusive remedy" in its "Reply to Plaintiff's Response to [TRP's] Motion For Summary Judgment or To Dismiss the Complaint" in the District Court and at all times upon appeal in the Circuit Court.

28 This Court in *Sperry Gyroscope* interpreted the statute which was subsequently codified in 28 U.S.C. § 1498(a). As demonstrated *supra*, at 14 n.14, Sections 1498(a) and 1498(b) should be construed *in pari materia*.

and fatal impact on Petitioner's appeal before the Circuit Court.

The immediate result of mischaracterizing 28 U.S.C. § 1498(b) as a jurisdictional statute was to lead the Circuit Court into the related and far greater error of depriving Petitioner of due process of law by its failure to consider whether the District Court's dismissal of the Complaint under Fed. R. Civ. P. 19 could serve as a legally sufficient alternative basis upon which to affirm the judgment of the District Court.[29] This error by the Circuit Court violated fundamental notions of due process and deprived Petitioner of its legal right to federal appellate court review of grounds which are in and of themselves adequate to sustain the judgment of the District Court herein upon appeal.[30]

## B. The United States of America Is an Indispensable Party To This Action Under Fed. R. Civ. P. 19.

The indispensability of the government herein is evidenced by the following Record facts which, cast in the words of Fed.

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29 The Circuit Court suggested Petitioner's argument under Fed. R. Civ. P. 19 was "a related theory" to its argument under 28 U.S.C. § 1498(b). Slip op. at 2. The Record demonstrates, however, that Petitioner has argued that Fed. R. Civ. P. 19 should independently result in a dismissal of the Complaint herein, regardless of the application and operation of 28 U.S.C. § 1498(b). The Record also establishes that the District Court relied upon Rule 19 as a separate basis for its judgment of dismissal of Respondent's Complaint herein. Opinion and Order of the District Court, *infra*, at 14a, 16a.

30 The Circuit Court should have also considered the additional arguments made by Petitioner and the other parties in the Circuit Court on grounds other than 28 U.S.C. § 1498(b) and Fed. R. Civ. P. 19. "*The appellate court*, searching the summary judgment record . . . *must identify every possible ground that will support affirmance of the decision below and consider it*, and if it rejects one ground then it must move to the next." *Clay v. Equifax, Inc.*, 762 F.2d 952, 956 (11th Cir. 1985) (emphasis added). "But reversal is inappropriate if the ruling of the district court can be affirmed on any grounds, regardless of whether those grounds were used by the district court." *Bickford v. International Speedway Corp.*, 654 F.2d 1028, 1031 (5th Cir. 1981). Accord, *Russ' Kwik Car Wash, Inc. v. Marathon Petroleum Co.*, 772 F.2d 214, 216 (6th Cir. 1985): "A decision below must be affirmed if correct for any reason, including a reason not considered by the lower court. *J.E. Riley Investment Co. v. Commissioner*, 311 U.S. 55, 59 (1940) . . . ."

R. Civ. P. 19, establish that the government has "an interest relating to the subject of the action and is so situated that the disposition of the action in [its] absence may (i) impair or impede [its] ability to protect that interest or (ii) leave [it] subject to a substantial risk of incurring . . . otherwise inconsistent obligations by reason of the claimed interest [:]"

1. As the owner of the Facility, the United States, which was the "real party in interest" with Respondent under the Contract and which was "completely in control" of the Contract and the planning, design and construction of the Facility, assumed "sole and exclusive liability for claims incident" thereto;
2. The United States, if it were a party to this action, could assert the affirmative defense of "implied license"[31] which could result in the complete dismissal of all claims in this action;
3. Because the United States is not a party to this action, Petitioner may be held liable for claims for which the United States assumed "sole and exclusive liability;"
4. In such event, Petitioner would bring suit against the United States, as the party which had assumed "sole and exclusive liability" for any such claim for which

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31 The "implied license" defense was summarized in *Technical Development Corp. v. United States*, 597 F.2d 733, 745-46 (Ct. Cl. 1979), a case related to certain patent claims, as follows:

" 'Inventions made under a Government contract are the product of expenditures from the public treasury in the course of a governmental function; the public, having in a sense ordered and paid for the invention through its representatives, should not again be taxed for its use, nor excluded from its use, nor permitted to use it upon restrictive conditions advantageous to no one but the . . . owner.' * * * [W]here a [person] has been intimately involved in all phases of performance of a Government-funded contract during the performance of which the invention was conceived . . . and the work was, in fact, paid for in substantial part or entirely out of Government funds, the Government is entitled to a license."

In the case at bar, the architectural plans and drawings were produced by Respondent under the Contract, which was completely controlled by the government, and were paid for with government funds. *See* 40 U.S.C. § 818(a). Thus, the government, if it were a party in this action, would be able to claim an "implied license," which would be a complete bar to all of the claims made by Respondent against all of the defendants in this case.

Petitioner was held liable, to recover a liability which might never have arisen in the first place if the United States were initially before the court and were to plead "implied license" as a defense; and

5. If the assumption of "sole and exclusive liability" means what the words say, the public Treasury then would be subject to expend funds for the satisfaction of a liability which would never have arisen if the United States were a party to Respondent's action for copyright infringement in the first instance.

This inconsistency and impairment of the United States' ability to protect its interests clearly make it an indispensable party under Fed. R. Civ. P. 19.

## PRAYER FOR RELIEF

For the reasons given hereinabove, Petitioner prays that a Writ of Certiorari be granted to review the decision and judgment of the Circuit Court in this proceeding.

Respectfully submitted,

s/ Mark A. Saunders

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Dated: November 18, 1987

# APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

September Term, 1987
Filed October 23, 1987

No. 86-5235
(D.C. Civil Action No. 85-2493)

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SEYMOUR AUERBACH,

*Appellant*,

—v.—

SVERDRUP CORPORATION, et al.

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Before:

MIKVA, BUCKLEY, and WILLIAMS,

*Circuit Judges*.

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ORDER

It is ORDERED by the court, *sua sponte*, that the opinion for the court filed herein by Circuit Judge Buckley on September 22, 1987, be amended as follows:

On lines 14 & 15 on page 2, delete the words: "A former architect for the Union Station Redevelopment Project" and substitute in lieu thereof: "An architect who rendered his services in designing a parking garage for the National Visitors Center".

Per Curiam.

For the Court:

/s/ GEORGE A. FISHER

George A. Fisher,
Clerk

**Notice: This opinion is subject to formal revision before publication in the Federal Reporter or U.S.App.D.C. Reports. Users are requested to notify the Clerk of any formal errors in order that corrections may be made before the bound volumes go to press.**

# United States Court of Appeals

**FOR THE DISTRICT OF COLUMBIA CIRCUIT**

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No. 86-5235

SEYMOUR AUERBACH, APPELLANT

v.

SVERDRUP CORPORATION, *et al.*

---

Appeal from the United States District Court
for the District of Columbia
(D.C. Civil Action No. 85-2493)

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Argued February 12, 1987

Decided September 22, 1987

*Charles A. Hobbs* for appellant.

*Mark A. Saunders*, with whom *James P. Dollard Jr.*, *Robert J. Siverd*, and *Stanley M. Ackert III* were on the brief, for appellee Terminal Realty Penn Company.

*James H. Pipkin Jr.* and *Loren Kieve* (for Terminal Realty Baltimore Company), *Lawrence E. Carr Jr.* and

**Bills of costs must be filed within 14 days after entry of judgment. The court looks with disfavor upon motions to file bills of costs out of time.**

*Margaret H. Warner* (for Sverdrup Corporation, *et al.*), *Mose Lewis III* (for Legion Design Systems, Inc.), *Carol T. Stone* and *John O. Easton* (for Jackson & Tull, Chartered Engineers), *Phyllis D. Thompson* and *John Vanderstar* (for Union Station Redevelopment Corporation), and *James W. Dyke Jr.* (for Devrouax & Purnell, Architect Planners, P.C.) were on the joint brief for appellees Terminal Realty Baltimore Company, *et al.*

*Charles L. Reischel*, Deputy Assistant Corporation Counsel for the District of Columbia, entered an appearance for appellee the District of Columbia.

Before MIKVA, BUCKLEY, and WILLIAMS, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* BUCKLEY.

BUCKLEY, *Circuit Judge*: A former architect for the Union Station Redevelopment Project in Washington, D.C. seeks compensation for the alleged copyright infringement of his plans for the Union Station Parking Garage. The district court dismissed the complaint for want of jurisdiction because the court found that the United States "authorized or consented" to the alleged infringement by appellees, and therefore, pursuant to a statutory waiver of immunity, 28 U.S.C. § 1498(b), appellant's claim must be brought against the United States in the Claims Court. On a related theory, the district court dismissed the action for failure to join the United States as an indispensable party. Fed. R. Civ. P. 19.

We reverse and find as a matter of law that the government waiver of immunity by authorization and consent requires explicit acts or extrinsic evidence sufficient to prove the government's intention to accept liability for a specific act of infringement. Because the district court applied an erroneous standard of consent, we remand with instructions to determine whether the government in fact waived immunity under the tighter standard here

set out. If it is found that the government did not consent to liability, then the United States ceases to be an indispensable party. In that case appellant should be allowed to proceed on the merits against appellees in his infringement action.

## I. Background

In 1968, Congress passed the National Visitor Center Facilities Act of 1968, 40 U.S.C. §§ 801-810 (1982), an ill-fated attempt to renovate the Union Station Building and construct an adjacent parking garage ("garage"). Pursuant to the Act, Congress leased the station for twenty-five years from its owners, appellees Terminal Realty Penn Co. ("Penn RR") and Terminal Realty Baltimore Co. ("Baltimore RR") (or jointly "the railroads"). In 1970, appellant was assigned the architectural service contract to renovate the station and construct the garage, as well as other projects. Only the architectural plan for the garage is at issue in this case.

The original construction budget for the garage was about $11 million. Auerbach negotiated a fee of $430,000 for the 4,000-car project plus a contingent fee in the event of cost overruns. Brief for Appellant at 8 n.4. Auerbach thereupon hired appellee Sverdrup & Parcel, an engineering and architectural firm, to provide the engineering services needed to prepare the plans and specifications.

Auerbach initially drew a schematic plan for the 4,000-car garage. With the funds evidently lacking for a project of this size, the railroads requested Auerbach to scale back his design. He did so and produced a detailed construction phase plan. After submitting the project for bids, it became apparent that it was still too large. Auerbach thereupon modified the plan by marking as deleted an entire floor, the north twenty-five percent of the building, and related components and features. The plan for these deleted sections forms the subject of the infringement claim. New funds ultimately became avail-

able and, according to appellant, the deleted portions of his plan were copied and used. He thus claims he is entitled to a contingent payment under the contract, and that absent such payment, some or all of the appellees are liable for unlawfully violating his copyright.

By 1976, according to appellant, $30 million had been spent on the garage, which was still only partially complete, causing the United States to stop construction for lack of funds and mothball the project. In April 1977, Auerbach signed a settlement and release with the United States Department of the Interior and other parties. The release is cited by appellees as one piece of evidence that the government authorized, and therefore assumed liability for, the alleged infringement.

In 1981 Congress geared up again, authorizing the federal Department of Transportation ("U.S. DOT") to complete the renovation of the station and garage with federal highway funds distributed to the District of Columbia. Union Station Redevelopment Act, 40 U.S.C. §§ 811-819. All right, title, and interest in the facility was expressly reserved to the United States. Under a contract with U.S. DOT, the District of Columbia Department of Transportation ("D.C. DOT") was to supervise the project. To carry out this responsibility, U.S. DOT turned over to D.C. DOT all of Auerbach's preexisting architectural plans and drawings in the possession of the United States Department of the Interior. *See* Brief for Penn RR at 6; Rec. Ex. H. para. 2. U.S. DOT also required D.C. DOT to submit new architectural plans for its review, approval, or modification. D.C. DOT in turn hired Sverdrup & Parcel ("Sverdrup"), Auerbach's former engineering consultants, to provide the architectural and engineering services needed to complete the garage, while Sverdrup in turn hired three subcontractors.

Penn RR emphasizes that the Redevelopment Act and the ensuing contracts demonstrate the United States'

close supervision and approval of the garage project. Brief for Penn RR at 7-9. Appellant, by contrast, cites the original 1968 contract between the U.S. and the railroads (each party assumes liability for its own acts), the 1982 U.S.-D.C. contract (D.C. DOT liability for design and construction), and the D.C.-Sverdrup contract (Sverdrup indemnity for D.C. DOT copyright infringement liability). Brief for Appellant at 13-14. Continuing this factual battle, Auerbach seeks to document his ownership of the plans, Brief for Appellant at 14-16, and the railroads introduce various written agreements as evidence that the United States released the railroads from liability, Brief for Penn RR at 9-12.

The final two items of relevance are the 1981 Senate hearings held on resuming construction at Union Station and an affidavit of Garry Burch, D.C. DOT Project Manager, in which he says a National Park Service employee delivered to him copies of Auerbach's plan. Appellees claim the delivery from a United States employee to the D.C. DOT is evidence that the United States intended the drawings to be copied. Brief for Penn RR at 33 n.15. Appellees seek to construe the Senate record to show congressional authorization for the use and therefore the copying of the plans. *Id.* at 11-13. Appellant rebuts the inference, claiming the language evidences no awareness the United States was consenting to liability for an unauthorized infringement. Brief for Appellant at 16-20.

The district court, in a brief ruling, granted appellees' motion to dismiss or grant summary judgment, citing a patent infringement case, *Hughes Aircraft v. United States*, 534 F.2d 889 (Ct. Cl. 1976), for the proposition that the government can implicitly consent or authorize an infringement. Primarily, the court felt it dispositive that the United States was the real party at interest. Record Excerpts for Appellant at 3. The court also concluded that the United States was an indispensable party because it "may be prejudiced by its absence from this litigation," *id.*; Fed. R. Civ. P. 19.

## II. Discussion

The district court's assessments of the facts in this case are subject to a clearly erroneous standard of review. Because it appears that the district court misapplied the law, however, this appeal presents a mixed question of law and fact. The legal component raises only one issue: by what standard must a party demonstrate that the United States gave its authorization or consent to a copyright infringement? The factual component requires the district court, in the first instance, to assess whether appellees introduced sufficient evidence to satisfy the legal standard.

The case turns on the construction of 28 U.S.C. § 1498 (b), a rarely construed waiver of immunity by the federal government for copyright infringement in certain circumstances. It states in pertinent part:

> Hereafter, whenever the copyright in any work protected under the copyright laws of the United States shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a contractor, subcontractor, or any person, firm, or corporation acting for the Government and with the authorization or consent of the Government, the exclusive remedy of the owner of such copyright shall be by action against the United States in the Claims Court . . . .

28 U.S.C. § 1498(b) (1982).

As made clear in the legislative history, the section was passed to correct a simple inequity. The United States, already liable for patent infringement and a host of other torts, was anomalously free from liability for copyright infringement. S. Rep. No. 1877, 86th Cong., 2d Sess. 3-4, *reprinted in* 1960 U.S. Code Cong. & Admin. News 3444, 3446 ("Legislative History") (quoting H. Rep. No. 624, 86th Cong., 2d Sess., which accompanied the bill in the House). The essence of the remedy was a direct suit against the United States in the Claims Court.

As we read the statute, it effects a policy that *government* wrongdoing in the realm of copyright infringement not go uncompensated. The first two clauses make this point explicitly. The final clause extends the waiver to third parties acting for the government *and* with the government's "authorization or consent." Read in light of the first two clauses, the final clause indicates that private parties had best be certain that the government intends to shoulder liability for their wrongful acts. Absent authorization or consent, says the statute in plain terms, they proceed at their peril. *See* Legislative History at 3444-45 ("The language of the bill is to the effect that the exclusive remedy of the owner of the copyright against the United States shall be *only* in those cases in which the infringement was made with the authorization or consent of the Government. It would, therefore, follow that all other infringements would *not* transfer liability to the U.S. Government." (emphasis added)). This construction of the statute is confirmed by the general rule that governmental waivers of liability must be construed narrowly. *See, e.g., Lehman v. Nakshian*, 453 U.S. 156, 161 (1981) ("this Court has long decided that limitations and conditions upon which the Government consents to be sued must be strictly observed and exceptions thereto are not to be implied." (quoting *Soriano v. United States*, 352 U.S. 270, 276 (1957))); *see also Windsurfing Int'l, Inc. v. Ostermann*, 534 F. Supp. 581, 588 (S.D.N.Y. 1982) ("[I]f the government requirements can be satisfied without an infringement, authorization or consent [for patent infringement] will not be implied."); *Decca Ltd. v. United States*, 640 F.2d 1156, 1170 (Ct. Cl. 1980) ("A waiver of sovereign immunity must be strictly construed."), *cert. denied*, 454 U.S. 819 (1981); *cf. United States v. Mitchell*, 445 U.S. 535, 538 (1980) ("elementary" that U.S. must consent to suit, the terms of consent define the court's jurisdiction, and the waiver must be "unequivocally expressed." (internal citations omitted)).

Manifestly, the government in this statute is not obligated to act as an insurer for the infringement actions of any third party acting for the government, as suggested by appellee Penn RR:

> In sum, Appellee TRP [Penn RR] submits that the correct test for the application of 28 U.S.C. § 1498(b) is not whether the United States actually knew or intended to commit an infringement, but whether and to what extent the United States authorized or consented to the *actions which encompassed* an alleged copyright infringement by its contractors and subcontractors.

Brief for Penn RR. at 27 (emphasis added).

To interpret the statute in this manner is to convert a governmental waiver of sovereign immunity into a government insurance plan for the torts of its agents. We reject this reading. When the government authorizes an "action" by a third party, it is not therefore liable for any copyright infringement the third party may choose to undertake within the sphere of the authorized activity. Rather, the statute stands for the more limited proposition waiving immunity for third-party *infringements* that are authorized or consented to by the government.

A narrowly tailored construction of the waiver is supported by the caselaw interpreting the sister provision, section 1498(a), waiving immunity for patent infringements by the government.[1] *Cf. Decca Ltd.*, 640 F.2d at

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[1] Section 1498(a) states in relevant part:

> (a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Claims Court for the recovery of his reasonable and entire compensation for such use and manufacture.
>
> For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of

1167 ("section 1498[(a)] is a waiver of sovereign immunity only with respect to a direct governmental infringement of a patent"; hence, government not liable for "inducing infringement by others, [or] for its conduct contributing to infringement of others . . . .") (footnote omitted); *Leesona Corp. v. United States*, 599 F.2d 958 (Ct. Cl.) (rejecting construction of section 1498(a) that "converted it to a consent to suit on a tort theory, and [treated] the United States as a tort-feasor"), *cert. denied*, 444 U.S. 991 (1979). As is to be expected, the emphasis is on explicit consent, *see, e.g., Carrier Corp. v. United States*, 534 F.2d 244, 247 (Ct. Cl. 1976), though obviously the form of the consent can vary, *see, e.g., Hughes Aircraft Co. v. United States*, 534 F.2d 889, 901 (Ct. Cl. 1976) ("e.g., by contracting officer instructions, by specifications or drawings which impliedly sanction and necessitate infringement," by retroactive consent).

Patent infringement suits recognize a limited class of cases in which consent is implied by necessity. As explained in *Bereslavsky v. Esso Standard Oil Co.*, 175 F.2d 148, 149 (4th Cir. 1949), if the government orders a contractor to manufacture a high octane gasoline that necessitates the use of a patented process, evidently expecting that manufacture would require its use, it has effectively accepted liability. Conceptually, this holding simply reflects a variation in the form of acceptable proof on the unvarying theme that the party must demonstrate government authorization. Necessity in cases like *Esso* may be every bit as probative as a written contractual clause. By contrast, no permutation of necessity operates in the present case. Aside from a desire to save money, nothing necessitated appellees' apparent decision to copy the deleted parking drawings.

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the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with authorization or consent of the Government, shall be construed as use or manufacture for the United States.

28 U.S.C. § 1498(a) (1982).

With the legal landscape thus clarified, the case reduces to a very simple question: do appellees establish that the government authorized or consented to the copyright infringement of Auerbach's plans, if such infringement in fact occurred? The evidence must demonstrate the government's authorization or consent. Obviously express documentary evidence will do, which typically will consist of a contractual clause setting forth the government's assumption of liability. *See, e.g., Hughes Aircraft*, 534 F.2d at 900, n.15 (example of standard waiver for patents); 48 C.F.R. §§ 1227.401-71(b)(6)(ii), 1252.227-71 (a)(c)(2) (1986) (contractors to U.S. DOT generally required to obtain prior written permission to incorporate copyrighted material). Evidence probative of implied consent or authorization can also be submitted to the trier of fact for evaluation of its sufficiency. It is, however, immaterial whether Auerbach actually authorized the use of his plans, a matter disputed by the parties in the briefs. Brief for Baltimore RR at 17-21; Brief for Penn RR at 11, 30, 33; Reply Brief for Appellant at 12, 14 n.16. This would be a defense to be asserted by appellees on the merits, but it does not bear on governmental intent on the narrow issue of authorization and consent. Furthermore, while the measure of damages for violation of copyright could turn on the use to which the copy was put, the tort itself would be complete when the copy was made. The fact that the federal government might benefit from the copying because it subsequently will have ownership of the building does not make the United States a party to the copyright violation.

In reviewing the record developed below, we do not find an express contractual provision wherein the government authorized the use of Auerbach's canceled plan. We do not find evidence that the government stated that it knew of the plan's existence and wanted it copied. For instance, it would appear that the National Park Service employee, Mr. Biderman, turned over copies of the Auerbach plan to safeguard it from water leaking

through the Union Station roof, not to authorize or consent to an infringement on behalf of the United States. *See* Supplemental Brief for Appellant, Addendum at 3 (attaching U.S. DOT administrative decision denying liability in the instant case); Brief for Appellant at 32 n.19 (noting that Biderman affidavit is not in the present record and therefore can only be evaluated on remand). We do not find evidence of necessity, i.e., a requirement that the plans be used, which would in turn require that they be copied. *See* Brief for Penn RR, Ex. E, F, G (U.S. contracts with the various parties—nowhere restricting D.C. DOT's apparent freedom to examine the entire project, study the optimum use of space to be developed, and promulgate whatever plans seemed appropriate). Indeed, the only contractual references to the Auerbach plan we find is a requirement that the contractors check the existing structures against it and other drawings to determine the degree to which the structure conformed to plan. Record Ex. F, art. III, sec. 1; Ex. G, art. III, sec. 1. Finally, we do not find evidence that appellees called specific attention to the deleted material or sought a specific waiver for its use. At best, appellees have put forward evidence showing that the government knew of the existence of the Auerbach plans. Brief for Penn RR at 33-34. For instance, testimony in the Senate hearings is said to "repeatedly note[] that the original plans and drawings were available and could be used to complete construction; . . . ." *Id.* at 33. Yet a knowledge of the plan's existence does not, without more, translate into authorization to infringe on Auerbach's copyright, if such a right indeed exists.

In short, we find no evidence in the record, and certainly no uncontroverted evidence sufficient to support a grant of summary judgment, that the United States authorized or consented to the copying of appellant's plan. Nonetheless, we are constrained to order a remand. Numerous contracts were signed during the drawn out

period of the garage's non-completion; Congress undertook to investigate the reasons for the delay; testimonial evidence has been compiled. Additional materials may be introduced. This mass of evidence must be sifted and evaluated in the first instance by the district court pursuant to the reading of the statute provided herein.

We expressly do not reach the other issues argued by the parties because the case before us concerns a dismissal for want of jurisdiction. The railroads contend, for example, that Auerbach's 1977 release bars any claim against them. The parties also argue the effect of various aspects of copyright law, such as the distinction between copying, which constitutes an infringement, versus use of a copyrighted item, which does not constitute an infringement. Our holding is limited to the construction of 28 U.S.C. § 1498(b).

## III. Conclusion

The trial court erred in moving too quickly to the conclusion that government sponsorship of the Union Station renovation demonstrates authorization or consent by the government to a specific act of infringement. As a corollary, if the court ultimately concludes that appellant's suit constitutes an infringement action against private parties, the United States would not be, on these facts, an indispensable party, though the government remains free to seek permission to intervene. Accordingly, the order of the district court dismissing appellant's suit for want of jurisdiction is

*Reversed and remanded.*

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Civil Action No. 85-2493

Filed March 28, 1986

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SEYMOUR AUERBACH,

*Plaintiff,*

—v.—

SVERDRUP CORPORATION, et al.,

*Defendant.*

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## ORDER

This matter is before the Court on the defendant's motion for summary judgment, the plaintiff's cross-motion for partial summary judgment, and oppositions thereto. Oral argument was heard on February 24, 1986.

Plaintiff is an architect who rendered his services in the design of the Union Station National Visitor Center in Washington, D.C. The National Visitor Center was to be built pursuant to the National Visitor Center Facilities Act of 1968, Pub. L. 90-264 (1968), 82 Stat. 43, 40 U.S.C. § 801 et seq. with public funds provided by the Congress. Pursuant to that legislation the Secretary of the Interior was authorized to enter into agreements with the owners of Union Station, defendants Terminal Realty Baltimore Company and Terminal Realty Penn Company, for the alteration of Union Station.

Plaintiff specifically was to, and did, design and draw the plans for the parking facility for the National Visitor Center. In 1976, due to budget overruns, the project was abandoned. Later the project was resumed. Plaintiff brought this action alleging that the use of his plans and drawings, when work was resumed, constituted a copyright infringement, a conversion, a taking without just compensation in violation of the Fifth

Amendment (as to defendant District of Columbia), and a breach of contract.

Defendant contends that this case is not properly before this Court and relying on 28 U.S.C. § 1498(b) argues that this case should be before the United States Claims Court.

28 U.S.C. § 1498(b) provides in relevant part:

> "Hereafter, whenever the copyright in any work protected under the copyright laws of the United States shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a *contractor, subcontractor, or any person, firm or corporation acting for the Government and with the authorization or consent of the Government*, the exclusive remedy of the owner of such copyright shall be by action against the United States in the Claims Court for the recovery of his reasonable and entire compensation as damages for such infringement . . . ." (emphasis added)

Based on the record before this Court, the plain language of 28 U.S.C. § 1498(b), the legislative history thereof and the cases interpreting that section, the Court concludes that this action is required to be brought in the United States Claims Court with the United States as a party defendant.

Plaintiff contends that the requisite "authorization or consent of the Government" is lacking for § 1498(b) to be applicable. However, in the case of *Hughes Aircraft Co. v. United States*, 534 F.2d 889 (Ct. Cl. 1976) the Court held that there is no requirement that "authorization or consent necessarily appear on the face of a particular contract. On the contrary, 'authorization and consent' on the part of the Government may be given in many ways other than by letter or other direct form of communication—e.g. by contracting officer's instructions, by specifications or drawings which impliedly sanction and necessitate infringement . . . ." 534 F.2d at 901. *See also, Bereslavsky v. Esso Standard*, 175 F.2d 148 (4th Cir. 1949). Nor, as the Court of Claims noted in a footnote to the *Hughes*

opinion, must the United States be a direct party to the contract at issue.

Moreover, the Court finds compelling the language appearing in Defendant's Exhibit B attached to its motion for summary judgment. That document, an Amendment to the contract between the defendants and plaintiff, and with the concurrence of The Department of Interior, states "it is understood and agreed that the owners (TRP and TRB) are the nominal contracting parties and that the Department (U.S. Department of Interior) will be the real party in interest in this Amendment to Contract with the full responsibility and liability incident thereto."

Finally, it is clear that the rights and liabilities of the United States may be prejudiced by its absence from this litigation. Under Rule 19 of the Federal Rules of Civil Procedure, the United States is an indispensable party who has not been made a party to this action by plaintiff and who cannot be made a party to this action without depriving this Court of jurisdiction. 28 U.S.C. 1346(a)(2).

Accordingly, it is

ORDERED that the motion of defendant Terminal Realty Penn Company to dismiss the complaint is GRANTED as to all parties on all counts.

/s/ GEORGE H. REVERCOMB
George H. Revercomb, Judge

March 28, 1986
Date

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## 28 U.S.C. § 1498(a) and § 1498(b)

§ 1498. Patent and Copyright cases

(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Claims Court for the recovery of his reasonable and entire compensation for such use and manufacture.

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

The court shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States prior to July 1, 1918.

A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee or any assignee of such patentee with respect to any invention discovered or invented by a person while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials or facilities were used.

(b) Hereafter, whenever the copyright in any work protected under the copyright laws of the United States shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a contractor, subcontractor, or any person, firm, or corporation acting for the Government and with the authorization or consent of the Government, the

exclusive remedy of the owner of such copyright shall be by action against the United States in the Claims Court for the recovery of his reasonable and entire compensation as damages for such infringement, including the minimum statutory damages as set forth in section 504(c) of title 17, United States Code: *Provided*, That a Government employee shall have a right of action against the Government under this subsection except where he was in a position to order, influence, or induce use of the copyrighted work by the Government: *Provided, however*, That this subsection shall not confer a right of action on any copyright owner or any assignee of such owner with respect to any copyrighted work prepared by a person while in the employment or service of the United States, where the copyrighted work was prepared as a part of the official functions of the employee, or in the preparation of which Government time, material, or facilities were used: *And provided further*, That before such action against the United States has been instituted the appropriate corporation owned or controlled by the United States or the head of the appropriate department or agency of the Government, as the case may be, is authorized to enter into an agreement with the copyright owner in full settlement and compromise for the damages accruing to him by reason of such infringement and to settle the claim administratively out of available appropriations.

Except as otherwise provided by law, no recovery shall be had for any infringement of a copyright covered by this subsection committed more than three years prior to the filing of the complaint or counterclaim for infringement in the action, except that the period between the date of receipt of a written claim for compensation by the Department or agency of the Government or corporation owned or controlled by the United States, as the case may be, having authority to settle such claim and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as a part of the three years, unless suit is brought before the last-mentioned date.

## Fed. R. Civ. P. 19

Rule 19. Joinder of Persons Needed for Just Adjudication

(a) PERSONS TO BE JOINED IF FEASIBLE. A person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party in the action if (1) in his absence complete relief cannot be accorded among those already parties, or (2) he claims an interest relating to the subject of the action and is so situated that the disposition of the action in his absence may (i) as a practical matter impair or impede his ability to protect that interest or (ii) leave any of the persons already parties subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations by reason of his claimed interest. If he has not been so joined, the court shall order that he be made a party. If he should join as a plaintiff but refuses to do so, he may be made a defendant, or, in a proper case, an involuntary plaintiff. If the joined party objects to venue and his joinder would render the venue of the action improper, he shall be dismissed from the action.

(b) DETERMINATION BY COURT WHENEVER JOINDER NOT FEASIBLE. If a person as described in subdivision (a)(1)-(2) hereof cannot be made a party, the court shall determine whether in equity and good conscience the action should proceed among the parties before it, or should be dismissed, the absent person being thus regarded as indispensable. The factors to be considered by the court include: first, to what extent a judgment rendered in the person's absence might be prejudicial to him or those already parties; second, the extent to which, by protective provisions in the judgment, by the shaping of relief, or other measures, the prejudice can be lessened or avoided; third, whether a judgment rendered in the person's absence will be adequate; fourth, whether the plaintiff will have an adequate remedy if the action is dismissed for nonjoinder.

(c) PLEADING REASONS FOR NONJOINDER. A pleading asserting a claim for relief shall state the names, if known to the pleader, of any persons as described in subdivision (a)(1)-(2) hereof who are not joined, and the reasons why they are not joined.

(d) EXCEPTION OF CLASS ACTIONS. This rule is subject to the provisions of Rule 23.

**40 U.S.C. §§ 801-809; 40 U.S.C. §§ 811-819**

§ 801. National Visitor Center; designation; parking facility; authorization of agreements and leases for use of Union Station

The Secretary of the Interior (hereinafter in this chapter referred to as the "Secretary"), in consultation with the Administrator of General Services (hereafter in this chapter referred to as the "Administrator"), is authorized to negotiate and enter into agreements and leases with The Washington Terminal Company, its successors or assigns (hereafter in this chapter referred to as the "Company"), the owner of the property in the District of Columbia known as Union Station, for use of all or a part of such property for a national visitor center to be known as the National Visitor Center and a parking facility in connection therewith.

§ 802. Terms and conditions of agreements and leases

(a) General provisions

The agreements and leases authorized by section 801 of this title shall be subject to the following terms and conditions:

(1) Alterations

the Company shall agree to make such alterations of the Union Station Building as the Secretary determines necessary to provide adequate facilities for visitors, which facilities, including the parking facility under paragraph (3), shall be representative of the highest standards of excellence of design and function;

(2) Commencement; term

the lease of the Union Station Building shall commence on a date to be mutually agreed upon and shall not be for a term of more than twenty-five years;

(3) Parking facilities; term

the Company, in consultation with the Secretary, shall construct all or part of a parking facility, including necessary approaches and ramps for adequate circulation, to accommodate automobiles, charter buses, and other transportation, as appropriate, in the airspace northerly of and adjacent to the existing Union Station Building, and such structure shall be leased to the United States for a term not to exceed twenty-five years commencing upon a date to be mutually agreed upon;

(4) New railroad passenger station

the Company shall, and it is hereby authorized to construct a new railroad passenger station in the area beneath or adjacent to the parking facility referred to in paragraph (3);

(5) Purchase option; amount; fair market value; notice, terms and conditions, and credit of rentals paid

the United States shall have the option to purchase all of the property leased under this subchapter for an amount not in excess of the fair market value of such property any time after the first year of the lease on one year's written notice and on such terms and conditions including credit toward such purchase price of any portions of rentals paid by the United States as may be mutually agreed upon;

(6) Rentals; fair rental value

rentals paid by the United States shall not exceed the fair rental value of the property as mutually determined by the Secretary, the Administrator, and the Lessor;

(7) Limitation on annual cost of leases

the aggregate annual cost to the United States of all leases entered into under this subchapter shall not exceed $3,500,000;

(8) Limitation on alteration and parking facility construction costs

the total cost of all alterations referred to in paragraph (1) and all construction referred to in paragraph (3) shall not exceed $16,000,000, except that total cost of such alterations shall not exceed $5,000,000.

(b) Other terms and conditions

In addition to the terms and conditions set forth in subsection (a) of this section, agreements and leases entered into under authority of this part shall include such other terms and conditions as the Secretary and the Administrator jointly shall prescribe.

(c) Supplemental alterations and construction; competitive bidding or negotiated contract; Federal title; purchase option; limitation of fund

In addition to the alterations and construction by the company pursuant to subsection (a) of this section, the Secretary is authorized to undertake, directly by competitive bidding or, if he deems it to be in the best interest of the United States, by negotiated contract with the company, its successors, agents, and assigns, such alterations and construction, with regard to the Union Station Building and the adjacent parking facility, as he deems necessary to supplement the activities of the company in providing adequate facilities for visitors under the agreements and leases referred to in subsection (a) of this section. The Secretary may exercise the authority under this subsection without regard to whether or not title to the Union Station Building or the airspace adjacent thereto is in the United States: *Provided*, That he shall have entered into an agreement for a lease (but such lease need not have commenced) with the company incorporating the provisions of paragraph (5) of subsection (a) of this section prior to the exercise of the authority under this subsection: *And provided further*, That not to exceed $21,580,000 of the funds authorized to be appropriated in section 807 of this title shall be available for the Secretary to carry out the provisions of this subsection.

§ 803. Administration

The Secretary shall administer any property leased under this subchapter in accordance with those provisions of sections 1 and 2 to 4 of title 16, as amended and supplemented, applicable to the administration of the national park system.

§ 804. Interpretive transportation services; Federal areas

The Secretary is directed to utilize the authority under sections 1 and 2 to 4 of title 16, as amended and supplemented, to provide interpretive transportation services between or in Federal areas within the District of Columbia and environs, including, but not limited to, transportation of visitors on, among, and between the Mall, the Ellipse, the National Visitor Center, John F. Kennedy Center for the Performing Arts, and East and West Potomac Park, and such other visitor facilities as may be established pursuant to this chapter, and, with the concurrence of the Architect of the Capitol, to provide such services on, among, and between such areas and the United States Capitol Grounds. The Secretary shall determine that such services are desirable to facilitate visitation and to insure proper management and protection of such areas. Such interpretive transportation services shall, notwithstanding any other provision of law to the contrary, be deemed transportation by the United States and shall be under the sole and exclusive charge and control of the Secretary.

§ 805. Continuing study of needs of visitors to Washington metropolitan area; facility recommendations; annual report

(a) Notwithstanding the execution of any agreement or lease pursuant to this subchapter, the Secretary, in consultation with the National Visitor Facilities Advisory Commission established under subchapter II of this chapter, is directed (1) to make a continuing study of the needs of visitors to the Washington metropolitan area, including the necessity and desirability of different or additional visitor facilities, and of

altering existing visitor facilities, and (2) to recommend that the Administrator acquire, alter, or construct such facilities.

(b) The Secretary shall submit annually a report to Congress on the National Visitor Center authorized by this subchapter and on all other visitor facilities authorized in accordance with this chapter, including the amendments made by this Act.

§ 806. Repeals

All existing laws or parts of laws inconsistent with the provisions of this chapter are hereby repealed to the extent to which they are so inconsistent, but to no further or other extent.

§ 807. Authorization of appropriations

There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this chapter.

§ 808. Labor standards

The Secretary shall take such action as may be necessary to insure that all laborers and mechanics employed by contractors or subcontractors on the alterations referred to in section 802(a)(1), and the parking facility referred to in section 802(a)(3), of this title shall be paid wages at rates not less than those prevailing for the same type of work on similar construction in the locality as determined by the Secretary of Labor, in accordance with the Act of March 3, 1931, as amended, known as the Davis-Bacon Act (46 Stat. 1494; 40 U.S.C. 276a-276a-5). The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 276c of this title.

§ 809. Steam for Union Station—National Visitor Center complex; contract; costs

The Architect of the Capitol may enter into a contract or other agreement with the Secretary of the Interior providing for the Architect of the Capitol to furnish steam from the Capitol Power Plant to the Union Station—National Visitor Center complex. Under such contract, the Secretary of the Interior shall pay for such steam at rates, not less than cost, and shall connect the Union Station—National Visitor Center complex with the Captiol Power Plant steam lines without expenses to the Congress.

PART B—UNION STATION REDEVELOPMENT

§ 811. Assignment of right, title, and interest in the Union Station complex to the Secretary of Transportation.

(a) Reservation of certain rights by the Secretary; definition

Upon the request of the Secretary of Transportation, the Secretary shall assign to the Secretary of Transportation all of the Secretary's right, title, and interest in the Union Station complex, including all agreements and leases entered into under part A of this subchapter. Such assignment may reserve to the Secretary the right to lease space for visitor services, to the extent the Secretary and the Secretary of Transportation may agree. For purposes of this subchapter, the "Union Station complex" shall include all the real property, air rights, and improvements leased by the Secretary under part A of this subchapter, together with any property acquired and all improvements made in accordance with this part.

(b) Installation of new roofs and drainage systems

Notwithstanding the provisions of subsection (a) of this section, the Secretary shall, not later than twelve months after December 29, 1981, complete the installation of new roofs and associated drainage systems on all existing roof surfaces of the historic Union Station building. Of funds appropriated to the Secretary under the construction appropriation for the Na-

tional Park System for the fiscal year ending September 30, 1982, not less than $8,100,000 shall be available to and allocated by the Secretary for such roof work. In the event the assignment provided for in subsection (a) of this section occurs prior to completion of such roof work, the Secretary shall continue to be responsible for such roof work until its completion, except as the Secretary and the Secretary of Transportation may otherwise agree.

(c) Permission to the Secretary of Transportation to carry out certain activities

Prior to the assignment provided for in subsection (a) of this section, the Secretary shall permit the Secretary of Transportation to carry out or cause to be carried out the activities authorized by this part or by title VII of the Railroad Revitalization and Regulatory Reform Act of 1976 (45 U.S.C. 851 et seq.).

(d) Secretary to be relieved of certain obligations upon assignment and roof installation

After both the assignment provided for in subsection (a) of this section and the completion of the roof installation required by subsection (b) of this section, the Secretary shall be relieved of the authority and obligation under part A of this subchapter to construct and operate a National Visitor Center at Union Station. The provisions of part A of this subchapter shall thereafter be deemed superseded by any contrary or inconsistent provisions of this part.

§ 812. Rehabilitation and redevelopment of the Union Station complex; goals

The Secretary of Transportation shall provide for the rehabilitation and redevelopment of the Union Station complex primarily as a multiple-use transportation terminal serving the Nation's Capital, and secondarily as a commercial complex, in accordance with the following goals:

(a) Preservation of the exterior facade and other historically and architecturally significant features of the Union Station building;

(b) Restoration and operation of a portion of the historic Union Station building as a rail passenger station, together with holding facilities for charter, transit, and intercity buses in the Union Station complex;

(c) Commercial development of the Union Station complex that will, to the extent possible, financially support the continued operation and maintenance of such complex; and

(d) Withdrawal by the Federal Government from any active role in the operation and management of the Union Station complex as soon as practical and at the least possible Federal expense consistent with the goals set forth in subsections (a) through (c) of this section.

§ 813. Authorization of appropriations

(a) There are authorized to be appropriated to the Secretary of Transportation such sums as may be necessary to meet lease and other obligations, including maintenance requirements, incurred by the Secretary and assigned to the Secretary of Transportation under this part. The Secretary shall transfer to the Secretary of Transportation at the time of such assignment such sums as may have been appropriated to the Secretary to meet such obligations and not yet expended as of the date of such assignment.

(b) Notwithstanding the provisions of section 802(a)(5) of this title, the Secretary of Transportation is authorized to purchase for the United States any property that was leased by the Secretary under part A of this subchapter and assigned to the Secretary of Transportation under this part. The purchase agreement for such property may provide for payment by the Secretary of Transportation over a term not to exceed six years. There are authorized to be appropriated to the Secretary of Transportation, in addition to the sums authorized by

subsection (a) of this section, not to exceed $275,000 per year for not to exceed six years to carry out such purchase. Such purchase shall not be subject to the provisions of title III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4651 et seq.).

§ 814. Studies to determine feasibility of rehabilitation and improvements; implementation of recommendations

(a) Engineering survey

The Secretary of Transportation shall, on an emergency basis, carry out an engineering survey of all existing structures at the Union Station complex for the following purposes:

(1) to determine those actions necessary or desirable to preserve the long-term structural integrity of, and provide functional utility systems for, the historic Union Station building;

(2) in cooperation with Amtrak, to determine those actions necessary or desirable to restore rail passenger handling functions to the historic Union Station building and otherwise improve rail passenger service facilities at Union Station, including improved passenger access to the trains; and

(3) to prepare detailed estimates of the costs of such rehabilitation and improvement.

(b) Planning and market feasibility studies to assess commercial development potential

Concurrently with the engineering survey required by subsection (a) of this section, the Secretary of Transportation, in cooperation with the National Railroad Passenger Corporation, shall carry out a planning and market feasibility study to assess the commercial development potential of the Union Station complex. Such study shall also include, but not be limited to, an assessment of the feasibility and desirability of:

(1) providing passenger transportation services from Union Station to the commercial airports in the area;

(2) constructing a heliport at or near the Union Station complex; and

(3) relocating to office space in Union Station the offices of Federal or other public transportation agencies.

(c) Time for completion of studies

The Secretary of Transportation shall complete the engineering survey required by this section not later than six months after December 29, 1981, and shall complete the planning and market feasibility study required by this section not later than twelve months after December 29, 1981.

(d) Availability of appropriated funds

Of amounts appropriated under section 854(a)(1) and (2) of title 45, $1,000,000 shall be available to and be utilized by the Secretary of Transportation to carry out the purposes of subsections (a) and (b) of this section.

(e) Reports to Congress; commitment of Federal funds

Within twelve months following December 29, 1981, the Secretary of Transportation shall submit a report to the Congress on the results of the engineering survey and planning and market feasibility studies carried out under this section. Such report shall be referred to the Committees on Commerce, Science, and Transportation and Environment and Public Works of the Senate and the Committees on Energy and Commerce and Public Works and Transportation of the House, respectively. Such report shall include a specific commitment of Federal funds for completion of the rehabilitation of the historic Union Station building, together with any necessary request for appropriations, in the amount determined by the Secretary of Transportation to be necessary in light of the survey and studies carried out under this section, from either or both of the following sources:

(1) funds authorized to be appropriated and not yet appropriated under section 854(a) of title 45 that are in excess of the amounts set out in the last sentence of such section 854(a) of title 45; and

(2) funds programed or reprogramed from any other appropriation available to the Secretary of Transportation.

Notwithstanding any other provision of this subsection, no funds from the Northeast Corridor Improvement Project and other rail or rail-related programs in excess of $29,000,000 shall be available for the completion of the rehabilitation of the historic Union Station building or other purposes determined by the Secretary of Transportation to be necessary in light of the survey and studies carried out under this section if within ninety calendar days of continuous session of the Congress after any request for such excess funds either the Committee on Energy and Commerce of the House of Representatives or the Committee on Commerce, Science, and Transportation of the Senate disapproves of the availability of such excess funds for such purposes by majority vote. For purposes of this subsection, continuity of session of the Congress is broken only by an adjournment sine die, and the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of the period described in this subsection.

§ 815. Development agreements

(a) Agreements with developers

In order to achieve the goals set out in section 812 of this title, the Secretary of Transportation is authorized to select and subsequently enter into one or more agreements (hereafter in this chapter referred to as "development agreements") with one or more responsible individuals, corporations, or other private entities with demonstrated experience in the financing, undertaking, and managing of commercial real estate development (hereafter in this chapter referred to as "developers").

(b) Selection of developers

The Secretary of Transportation shall prescribe the procedures and criteria for selection of a developer for the Union Station complex: *Provided*, That no final developer selection shall be made unless and until at least two developers meeting minimum criteria prescribed by the Secretary of Transportation have submitted to the Secretary of Transportation specific design and financing proposals for the rehabilitation and redevelopment of the Union Station complex, and specific proposals for the acquisition, conveyance, or lease of real property. The Secretary of Transportation is directed to initiate discussions with potential developers as soon as possible following enactment of this section to assure the earliest possible selection of a developer or developers.

(c) Modification or waiver of application of regulations

Development agreements entered into under this section shall be considered cooperative agreements for purposes of chapter 63 of title 31. With respect to such development agreements, the Secretary of Transportation is authorized to modify or waive the application of regulations otherwise applicable to Federal or Department of Transportation financial assistance agreements, to the extent the Secretary of Transportation determines in his discretion to be necessary to accomplish the purposes of this part at the lowest cost to the Federal Government.

(d) Other agreements and contracts; assignment

The Secretary of Transportation is further authorized to enter into such other agreements and contracts, except any agreement or contract to sell property rights at the Union Station complex, with such persons, corporations, financial institutions, Federal, regional, or local agencies, or the Architect of the Capitol as the Secretary of Transportation deems necessary or desirable to carry out the purposes of this part. Any such agreement may be made assignable to a selected developer or developers of the Union Station complex.

§ 816. Acquisition and maintenance of property; assignment of certain real property by the Architect of Capitol

(a)(1) The Secretary of Transportation is authorized to acquire for the United States, by lease, purchase, or otherwise, any interest in real property (including, without limitation, interests in the nature of easements or reservations) and any other property interest (including, without limitation, contract rights) in or relating or adjacent to the Union Station complex that the Secretary of Transportation deems necessary to carry out the purposes of this part.

(2) If the Secretary of Transportation determines that property under the jurisdiction of the Architect of the Capitol in squares 721 and 722 eastward of the historic Union Station building is necessary to carry out the purposes of this part, the Secretary of Transportation may request assignment of such property to the use of the Secretary of Transportation, as a part of the Union Station complex, and subject to the provisions of this part, and the Architect of the Capitol shall so assign such property.

(b) Notwithstanding any other provision of law, the Secretary of Transportation is authorized to maintain, use, operate, manage, and lease, either directly, by contract, or through development agreements, any property interest held or acquired by the Secretary of Transportation for the United States under this part, in such manner and subject to such terms, conditions, covenants, and easements as the Secretary of Transportation deems necessary or desirable to carry out the purposes of this part.

§ 817. Union Station Fund; establishment; administration; authority of the Secretary to use income received toward expenses

(a) The Secretary of Transportation is authorized to use income and proceeds received from activities authorized by this part, including, without limitation, operating and leasing income and payments made to the Federal Government under

development agreements, to pay expenses incurred by the Secretary of Transportation in carrying out the purposes of this part, including, without limitation, construction, acquisition, leasing, operation, and maintenance expenses, and payments made to developers under development agreements.

(b) A special deposit account is hereby established in the Treasury of the United States, to be known as the Union Station Fund, which shall be administered as a revolving fund. Such special deposit account shall be credited with receipts of the Secretary of Transportation from activities authorized by this part and the balance in such special deposit account shall be available in such amounts as are specified in annual appropriation Acts for making expenditures authorized by this part.

§ 818. Parking facility; completion with interstate highway funds; limitation on apportionment of funds excepted; agreement with District of Columbia for the administration of the project

(a) Notwithstanding any other provision of title 23, and other Acts pertaining to Federal-Aid Highways, the Secretary of Transportation shall immediately approve the completion of the parking facility, and associated ramps (including any necessary pedestrian access and walkways, escalators, elevators, moving sidewalk access, and connections) at Union Station, to be financed with interstate highway funds apportioned to the District of Columbia. To the extent necessary to complete such project, such apportionment shall not be subject to any obligation limitation enacted for the fiscal year ending September 30, 1982, or the fiscal year ending September 30, 1983. The amount of such apportionment necessary to complete such project, not to exceed $40,000,000, shall remain available to the District of Columbia until expended, without regard to the provisions of section 118(b) of title 23. The Federal share shall be 100 per centum of the total cost of such project.

(b) Within sixty days of December 29, 1981, the Secretary of Transportation shall enter into an agreement with the District

of Columbia's Department of Transportation for the Secretary of Transportation's administration of the project described in subsection (a) of this section. Such project agreement shall provide that all right, title, and interest in such parking facility shall remain in the United States. The rate of fees charged for use of the parking facility may exceed the rate required for maintenance and operation of the facility, and shall be established in a manner that encourages its use by rail passengers and participants in activities in the Union Station complex and area.

§ 819. Waiver or release of obligations under other provisions

(a) Release of Washington Terminal Company from its obligation to construct a new railroad passenger station

The Secretary of Transportation is authorized, on such terms and conditions as he may prescribe, to release the Washington Terminal Company from any or all of its obligations under agreements and leases entered into under part A of this subchapter, including, without limitation, the obligation to construct a new railroad passenger station as provided in section 802(a)(4) of this title.

(b) Waiver of statutory and contractural [sic] restrictions on the use of the parking facility

The Secretary of Transportation shall waive such statutory or contractual restrictions on the use of the parking structure and associated ramps described in section 818 of this title as would otherwise be required or imposed because funds for such construction were or are provided under the Urban Mass Transportation Act of 1964, as amended (49 U.S.C. 1601 et seq.).

(c) Use of funds appropriated under other provisions without matching funds requirement

The Secretary of Transportation is authorized to use funds appropriated under section 854(a)(2) of title 45 to carry out the

purposes of this part without regard to the matching funds requirement of section 853(1)(B) of title 45. Funds appropriated under section 854(a) of title 45 may not be used for design, construction, or operation of a heliport at or near Union Station.

(d) Architect of Capitol authorized to supply steam or chilled water to the Union Station complex

The Architect of the Capitol is authorized to enter into agreements with the Secretary of Transportation or his designee or assign to furnish steam or chilled water or both from the Capitol Power Plant to the Union Station complex, at no expense to the legislative branch.

* * * * *

**17 U.S.C. § 401**

§ 401. Notice of copyright: Visually perceptible copies

(a) General requirement

Whenever a work protected under this title is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section shall be placed on all publicly distributed copies from which the work can be visually perceived, either directly or with the aid of a machine or device.

(b) Form of notice

The notice appearing on the copies shall consist of the following three elements:

(1) the symbol © (the letter C in a circle), or the word "Copyright", or the abbreviation "Copr."; and

(2) the year of first publication of the work; in the case of compilations, or derivative works incorporating previously published material, the year date of first publication of the compilation or derivative work is sufficient. The year date may be omitted where a pictorial, graphic, or

sculptural work, with accompanying text matter, if any, is reproduced in or on greeting cards, postcards, stationery, jewelry, dolls, toys, or any useful articles; and

(3) the name of the owner of copyright in the work, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner.

(c) Position of notice

The notice shall be affixed to the copies in such manner and location as to give reasonable notice of the claim of copyright. The Register of Copyrights shall prescribe by regulation, as examples, specific methods of affixation and positions of the notice on various types of works that will satisfy this requirement, but these specifications shall not be considered exhaustive.

**17 U.S.C. § 402**

§ 402. Notice of copyright: Phonorecords of sound recordings

(a) General requirement

Whenever a sound recording protected under this title is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section shall be placed on all publicly distributed phonorecords of the sound recording.

(b) Form of notice

The notice appearing on the phonorecords shall consist of the following three elements:

(1) the symbol P (the letter P in a circle); and

(2) the year of first publication of the sound recording; and

(3) the name of the owner of copyright in the sound recording, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner; if the producer of the sound recording is

named on the phonorecord labels or containers, and if no other name appears in conjunction with the notice, the producer's name shall be considered a part of the notice.

(c) Position of notice

The notice shall be placed on the surface of the phonorecord, or on the phonorecord label or container, in such manner and location as to give reasonable notice of the claim of copyright.

* * * * *

**17 U.S.C. § 506(a)**

§ 506. Criminal offenses

(a) Criminal infringement

Any person who infringes a copyright willfully and for purposes of commercial advantage or private financial gain shall be punished as provided in section 2319 of title 18.

* * * * *

**48 C.F.R. § 1227.401-71(b)(6)(ii)**

(ii) *Data not first produced in the performance of a contract.* (A) Contractors are not to incorporate in data delivered under contract any data not first produced under the contract with the copyright notice of 17 U.S.C. 401 or 402 without either: Acquiring for, or granting to the Government and others acting on its behalf, a paid-up, nonexclusive, irrevocable, worldwide license to reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly, by or on behalf of the Government, for all such data; or obtaining permission from the contracting officer to do otherwise. However, if computer software not first produced under contract is delivered with the copyright notice of 17 U.S.C. 401 or 402, the Government's license will be as set forth in subparagraph (g)(3) (Alternate III) if included in

the clause at 1252.227-71, Rights in Data—General, or as otherwise may be provided in a collateral agreement incorporated in or made part of the contract.

* * * * *

**48 C.F.R. § 1252.227-71(a)(c)(2)**

(2) *Data not first produced in the performance of this contract.* The contractor shall not, without prior written permission of the contracting officer, incorporate into data delivered under this contract any data not first produced in the performance of this contract and which contains the copyright notice of 17 U.S.C. 401 or 402 unless the contractor identifies such data and grants to the Government, or acquires on its behalf, a license of the same scope as set forth in subparagraph (1) above; *provided*, however, that if such data is computer software, the Government shall acquire a copyright license as set forth in subparagraph (g)(3) below if included in this contract, or as otherwise may be provided in a collateral agreement incorporated in or made part of this contract.

* * * * *

**28 U.S.C. § 1331**

§ 1331. Federal question

The district courts shall have original jurisidiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

* * * * *

## 28 U.S.C. § 1338(a)

§ 1338. Patents, plant variety protection, copyrights, trademarks, and unfair competition

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

* * * * *

## Fed. R. Civ. P. 12(b)(6)

Rule 12. Defenses and Objections—When and How Presented—By Pleading or Motion—Motion for Judgment on the Pleadings

* * * * *

(b) HOW PRESENTED. Every defense, in law or fact, to a claim for relief in any pleading, whether a claim, counterclaim, cross-claim, or third-party claim, shall be asserted in the responsive pleading thereto if one is required, except that the following defenses may at the option of the pleader be made by motion: (1) lack of jurisdiction over the subject matter, (2) lack of jurisdiction over the person, (3) improper venue, (4) insufficiency of process, (5) insufficiency of service of process, (6) failure to state a claim upon which relief can be granted, (7) failure to join a party under Rule 19. A motion making any of these defenses shall be made before pleading if a further pleading is permitted. No defense or objection is waived by being joined with one or more other defenses or objections in a responsive pleading or motion. If a pleading sets forth a claim for relief to which the adverse party is not required to serve a responsive pleading, he may assert at the trial any defense in law or fact to that claim for relief. If, on a motion asserting the defense numbered (6) to dismiss for failure of the pleading to

state a claim upon which relief can be granted, matters outside the pleading are presented to and not excluded by the court, the motion shall be treated as one for summary judgment and disposed of as provided in Rule 56, and all parties shall be given reasonable opportunity to present all material made pertinent to such a motion by Rule 56.

* * * * *

**28 U.S.C. § 1254(1)**

§ 1254. Courts of appeals; certiorari; appeal; certified questions

Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree;

Supreme Court, U.S.
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JOSEPH F. SPANIOL, JR.
CLERK

No. 87-814

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1987

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TERMINAL REALTY PENN COMPANY,
*Petitioner,*

v.

SEYMOUR AUERBACH,
*Respondent.*

---

**On Petition for a Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit**

---

## RESPONDENT'S BRIEF IN OPPOSITION

---

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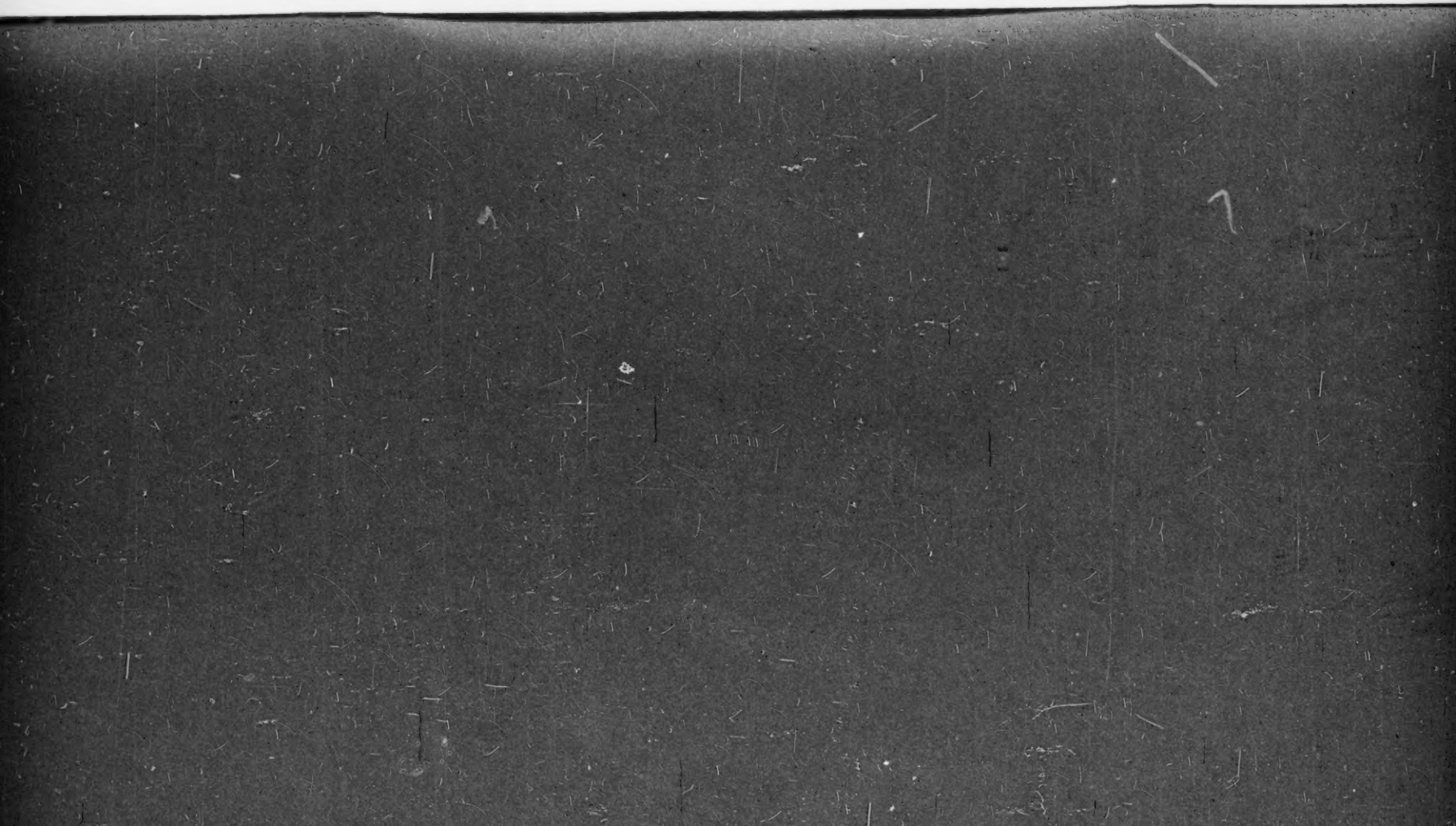

## QUESTION PRESENTED FOR REVIEW

Whether the United States should be liable under 28 U.S.C. § 1498(b) for copyright infringement when it has not consented to infringement expressly or implicitly, but merely turned a half-finished building over to the District of Columbia to complete, and the District hired a new architect to do construction drawings for the project, who in turn copied the original architect's unpaid-for construction drawings, and passed them off to the District as its own drawings.

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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1987

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No. 87-814

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TERMINAL REALTY PENN COMPANY,
*Petitioner,*

v.

SEYMOUR AUERBACH,
*Respondent.*

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**On Petition for a Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit**

---

## RESPONDENT'S BRIEF IN OPPOSITION

---

The Respondent, Seymour Auerbach, respectfully requests that this Court deny the petition for writ of certiorari.

## STATEMENT OF THE CASE

**1. The Contracts.**

In 1968, the Secretary of Interior entered into an agreement with the owners of the Union Station Building in Washington, D.C. The owners of the Union Station premises were and are Terminal Realty Penn Co. ("TRP") and Terminal Realty Baltimore Co. ("TRB") (hereinafter collectively referred to as "the Railroads"). The agreement called for the renovation of the Union

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Station Building and the construction of an adjacent parking facility building on the premises pursuant to the National Visitor Center Facilities Act of 1968, 82 Stat. 43, 40 U.S.C. §§ 801-810. This agreement provided that the United States would lease the Union Station property from the Railroads, and the Railroads would take care of the renovation and construction out of the proceeds of a bank loan in the amount of $16 million.

In 1969, the Railroads entered into a contract with the architect firm of Walton, Madden, Cooper & Auerbach [1] to provide the architectural services for the renovation of the Union Station building (Project 1), and for the construction of the parking facility (Project 2), as well as other projects. TRP Exhibit B-1.[2] The parking facility is the only project relevant to this action.

Originally, the construction budget for the parking facility part of the work was about $11 million. Auerbach was to be paid as follows:

> "E. (1) Architect (and Associates) shall receive a fee from the proceeds of the Loan for the services provided herein and with respect to the following:
>
> "(a) Project (1) (alteration of the Union Station Building)—the sum of $287,000.
>
> "(b) *Project (2) (parking facility)—the sum of $430,000.*
>
> "All [construction] costs associated with Project (1) are not to exceed $5,000,000, and the total cost of Project (1) and (2) is not to exceed $16,000,000. The opinion of the Owners [The Railroads] will determine the final allocation of those costs." TRP Exhibit B-1. (Emphasis added.)

---

[1] The contract was assigned to the Auerbach architect firm in 1970.

[2] The exhibits referred to are contained in the record below and will be reproduced if this Court deems it necessary to grant review.

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The fixed sum of $430,000 was to be Auerbach's fee for preparing drawings for that portion of the parking building that could be built for $11 million. However, it was expected that the full 4,000 car parking facility would cost much more than $11 million. *See* Auerbach Exhibit 4. The contract therefore further provided that if additional construction funds became available, Auerbach was to be paid additional fees to be negotiated as follows:

> "E. (3) . . . Should additional funds become available for [Projects] (1) and (2) above, or other projects be added to the scope of the work, fees shall be negotiated on the basis of the recommended fee schedule of the Potomac Valley Chapter of Maryland of the A.I.A." TRP Exhibit B-1.[3]

This provision of the contract is particularly important because it relates to whether Auerbach was ever paid for the portion of his drawings that were copied without his permission. In compliance with this contract, Auerbach hired Sverdrup & Parcel, an engineering and architectural firm and one of the defendants below, to provide engineering consulting services to Auerbach in preparing the drawings and specifications.

**2. 1968-1977 Construction Phase.**

In designing the parking facility, Auerbach drew schematic plans for a 4000-car garage, as Congress had contemplated. It was soon confirmed that a garage this size could not be completed with the funds available and the Railroads asked Auerbach to cut back the plans, which he did.[4] The cutback garage was approved by the

---

[3] That fee schedule when applied to the factors present here, indicates a fee of about 5% of the cost of construction.

[4] He did the cutback work at his own expense, as required by the contract, since he was not to be paid for drawing construction documents for any part of the garage that could not be constructed with the funds available, Contract, ¶ 3.5, TRP Exhibit B-1; *see also*, Auerbach Exhibit 4.

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Railroads, and Auerbach then drew up construction drawings for the cutback garage to be put out for bid.

The bids were obtained, which showed that the parking facility was still too big to be built with existing funds, and the Railroads again asked Auerbach to cut the plans back by revising the construction drawings. However, Auerbach did not delete the eliminated portions but rather marked them to show they were to be treated as deleted (a practice common in the industry). This last cutback marked out one entire floor and the north 33% of the building, along with various related components and features. We will call these marked-out portions of the drawings the "deleted" drawings, and it is these that are the subject of the copyright infringement claim. If additional funds had become available and these components and features had been constructed from Auerbach's "deleted" drawings, Auerbach would have received a fee based on a percentage of those construction funds in accordance with ¶(E)(3) of his contract with the Railroads.

Subsequently in 1982, as will be seen, such additional funds did become available and these deleted components and features were or are being constructed by the District of Columbia, to whom the U.S. assigned all construction responsibility. Although Auerbach's "deleted" drawings were copied and used for this additional construction, he has never been paid anything for them.

At any rate, returning to 1974, construction began on the parking facility as finally cut back by Auerbach. As construction progressed, the United States requested that additional features be added to the building as cut back, under various contract amendments, *see* TRP Exhibits B-2 to B-5, and added funds to pay for them (and Auerbach received additional fees). But the basic project

began to have major cost overruns due to inflation and waste.

Finally in 1976, with $30 million having been spent and the facility even as cut back being only partially built, the United States decided to stop construction for lack of funds, and mothball the project. Auerbach's contract was terminated pursuant to its own terms.

Upon termination, some minor winding-up disputes arose between Auerbach, his engineering consultants (Sverdrup & Parcel), and the Railroads. A release was entered into between the parties, including the United States. TRP Exhibit C. The release did not give anyone permission to use Auerbach's "deleted" drawings for future construction without compensation.[5]

**3. 1981-1986 Construction Phase.**

In 1981, under the Union Station Redevelopment Act,[6] the U.S. Department of Transportation ("U.S.DOT") was authorized to complete the parking facility, 40 U.S.C. § 818(a), such construction being funded by federal highway funds assigned to the District of Columbia ($40 million of FHWA funds were authorized to be spent).

---

[5] While the point is irrelevant to this certiorari proceeding, it should be noted that TRB claims that the release did give implied permission, but that seems absurd. The point was not among the enumerated disputes that were negotiated. *See* Affidavit of Auerbach, ¶ 5. Nor is it surprising that it was not a point for discussion because under the contract itself (¶ (E)(3) and 3.5) Auerbach was clearly not entitled to any compensation for the "deleted" drawings unless and until funds became available to construct the deleted components and features. TRP Exhibit B-1; *see* Affidavit of Auerbach, ¶¶ 5-7. No money was earmarked to pay for the deleted drawing, so if TRB is correct, Auerbach gave up very valuable property rights with no discussion and no consideration.

[6] 95 Stat. 1667, 40 U.S.C. §§ 811-819.

The U.S.DOT was also authorized to enter into an agreement through the Federal Highway Administration ("FHWA") with the District of Columbia Department of Transportation ("D.C.DOT"), for the latter to contract for and supervise completion of construction of the parking facility. TRP Exhibit E.[7] D.C.DOT then hired Sverdrup & Parcel ("S&P"), Auerbach's former engineering consultants, to provide architectural and engineering services for completion of the parking garage. TRP Exhibit F. S&P in turn hired subcontractors Devroux & Purnell ("D&P"), Jackson & Tull ("J&T"), and Legion Design Systems, Inc. ("LDS") to provide various architectural and engineering services. TRP Exhibit G; LDS Attachment 1.

S&P was required under its contract with D.C.DOT to inspect the existing mothballed structure and to compare that structure with:

> ". . . existing contract documents, including original plans and specifications, and determine the degree of agreement of said plans with the constructed parking facility and connecting ramps." TRP Exhibit F, Article III, Section 1.

After this task was done, S&P reported that the old Auerbach drawings were not suitable, and new drawings would have to be prepared. S&P was then hired to pre-

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[7] Petitioner (Pet. 4) tries to make the United States out to be "in complete control of the Project and the Contract." It is true that the U.S. was fairly active during the first construction phase (1968-1976), but the U.S. had little or no operational responsibility in the second phase (1981 to present), because all operational responsibility had been transferred to the District of Columbia by the 1981 Act of Congress and contracts made pursuant to that Act. All construction contracts were let by the District, including the one under which one or more of the defendants committed the infringement.

pare complete and detailed new construction plans and specifications, TRP Exhibit F, Article V, Section 1. Sometime in 1983, these plans and specifications were completed and put out for bid. The drawings bore the names of S&P as primary author, and D&P, J&T and LDS as co-authors.

Eventually Auerbach heard about the new plans, obtained a copy, and compared them to his own "deleted" drawings. He found them to be identical in many respects on items that he had designed, even to the point that minor errors on his drawings were repeated in S&P's drawings. S&P has never denied that the S&P drawings were copied from Auerbach's "deleted" drawings.

**4. Distribution of Liability.**

Under the various contracts, liability is distributed as follows:

(1) In the original 1968 agreement between the United States and the Railroads, as amended in 1974 (and presumably now irrelevant because superseded by later agreements made when the District of Columbia took over), the United States was:

> ". . . responsible for management and payment for all such [construction] work, including, subject to the terms of Paragraph 12 hereof, sole and exclusive liability for claims incident thereto." TRP Exhibit A, ¶ 9.

The agreement made clear that the foregoing did not relieve any of the parties for liability for its *own* actions—the agreement provided in Paragraph 12:

> "In addition, and notwithstanding any other provision hereof, each party hereto agrees that *it shall be responsible for its own acts and the results thereof and shall not be responsible for the acts of any other party and the results thereof.* Each party therefore agrees, subject to Paragraphs 3 and 5 hereof [not

> relevant], that it will assume all risk and liability to itself, its agents or employees, for any injury to persons or property resulting in any manner from the conduct of its own operations, and the operations of its agents or employees hereunder, and for any loss, cost, damage, or expense resulting at any time from any and all causes due to any act or acts, negligence, or the failure to exercise proper precautions, of or by itself or its own agents or its own employees, in connection with or arising out of its activities related to the National Visitor Center project." TRP Exhibit A. (Emph. added.)

(2) In the 1982 agreement between the U.S.DOT and D.C.DOT, which is the relevant agreement, the latter assumed liability "for that design and construction work on this project for which it is responsible" under the contract. TRP Exhibit E, ¶ 7. That would include the S&P drawings and construction of the "deleted" features and components.

(3) Significantly, as between D.C.DOT and S&P, the latter indemnified D.C.DOT for any liability for copyright infringement. TRP Exhibit F, General Provisions, ¶ I, B, 3.

**5. Ownership of Drawings.**

Of the documents presented to the District Court, only one expressly states who owns the drawings produced by Auerbach.[8] The 1973 bid specifications, prepared by Auerbach was put out for bid, state that the drawings shall remain the property of the architect. Auerbach Exhibit 5.

The 1969 contract between Auerbach and the Railroads did not address ownership but contemplated that a

---

[8] Although the court below did not address the issue of ownership of the drawings, it is relevant to whether the drawings were permissibly used and whether *anyone* had the authority to copy them without Auerbach's permission.

reproducible set of Auerbach's drawings would be submitted to the owner for "as built" [9] reference purposes. Par. 1.1.14. TRP Exhibit B-1. Auerbach's duty to provide an "as built" set of drawings was reiterated in the final release between the Railroads and Auerbach, which stated in Par. 7 that "As soon as feasible, Auerbach and S&P will furnish to TRB reproducible copies of prints and drawings *as required by section 1.1.14* of the Contract." TRP Exhibit C. (Emph. added.)

Auerbach did furnish reproducible copies of his drawings to the Railroads, on which the "deleted" features and components still appeared, plainly marked as deleted.

**6. Congressional Hearings.**

In 1981, a Senate Committee held hearings on having the District of Columbia resume construction at Union Station.[10] The Hearings focused on (a) the necessity of structural studies of the Union Station Building because the roof was leaking, and (b) the high cost involved in completing the adjacent Parking Garage. Secretary Lewis of the U.S. Department of Transportation had requested funding for engineering and marketing studies

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[9] "As built" is a term of art and it encompasses uses for repair of mechanical or electrical systems and fixtures, for interfacing with any future addition to a building, estimating, etc. Obviously, by definition it does not refer to drawings of components and features not built. This was understood by the Railroads, *see* Affidavit of Harry J. McNally. *See also* Affidavits of Jesse Weinstein and Theodore Mariani for a discussion of "as built" drawings. Permission to copy the drawings, to produce derivative works, or distribute them to the public for private gain, in violation of Auerbach's copyrights, clearly was not contemplated when "as built" drawings are given to the owner.

[10] *Union Station—National Visitors Center Hearings on S.548 and S.1192 Before the Senate Committee on Environment and Public Works*, 97th Cong., 1st Sess. 6-8 (1981) (hereinafter referred to as "Hearings").

on the Union Station Building. The building had badly deteriorated, and there was a question as to its structural integrity. Structural studies existed but Lewis wanted overall studies of the project to determine realistic uses for the building.

The studies for the parking facility evaluated alternative uses, such as providing bus services out of the garage. The hearing testimony reveals that discussions of the use of Auerbach's drawings focused on using the drawings for examining the structural integrity of the structure and studying the possibilities of making modifications to it. Hearings at 10. In addition, cost studies based on the drawings were discussed. *Id.* at 12. That this was the intent is borne out by the contract between S&P and D.C.DOT, which called for a detailed examination of the structure.[11]

Certainly no one pointed out to the Senators during the hearings that copying Auerbach's unpaid-for drawings for future construction would be a copyright infringement and that using them without copying would be a misappropriation of his property rights. Incidentally, only copying (or the violation of some other exclusive copyright right)—and not mere use—would invoke 28 U.S.C. § 1498(b). If any of the witnesses or Senators believed Auerbach's drawings would be used for future construction, they undoubtedly assumed they were paid for and available for use. It strains credulity to suppose that if the point had been raised expressly, the Committee would have approved infringement of those drawings without paying for them.

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[11] The Petitioner argued below that the U.S. had turned over the drawings to D.C.DOT for the express purpose of copying the drawings. The Court of Appeals rejected this factual assertion, noting that upon remand Auerbach intended to prove through an affidavit that the U.S. turned the drawings over to D.C.DOT for safekeeping because the roof of the Union Station building where the drawings were stored was leaking. Pet. App. 11a-12a.

**7. Rulings Below.**

Auerbach sued the Railroads, the District of Columbia, S&P and its subcontractors, and others. TRP moved to dismiss based on 28 U.S.C. § 1498(b), arguing Auerbach's exclusive remedy for infringement was a suit against the United States in the U.S. Claims Court. On March 26, 1986, the District Court handed down its memorandum order. It held that § 1498(b) applied, and that therefore Auerbach's exclusive remedy was against the United States in the U.S. Claims Court.[12]

On appeal, the Court of Appeals for the District of Columbia Circuit reversed, holding the District Court did not apply the proper test under 28 U.S.C. § 1498(b) since the District Court did not determine whether the United States authorized or consented to the infringement, which is the statutory predicate for liability. The case was remanded for further proceedings to allow TRP to present any new evidence of authorization and consent to copyright infringement. Those proceedings, which will determine whether or not § 1498(b) applies in this case, are awaiting this Court's decision on whether to grant certiorari.

## REASONS WHY THE PETITION SHOULD BE DENIED

**1. The Court of Appeals Decision is Faithful to the Language and Legislative History of 28 U.S.C. § 1498(b).**

Petitioner's primary claim is that the Court of Appeals decision has done violence to the language and legislative history of 28 U.S.C. § 1498(b), which reads:

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[12] In order to check the possibility of a simpler resolution, Auerbach also filed a claim with the U.S.DOT, arguing that under § 1498(b) the U.S. was liable for the infringement (exactly as *Petitioner* claims now). The U.S.DOT, which has authority under § 1498(b) to settle such claims, rejected the claim on the ground that the U.S. never authorized or consented to the defendants' infringement. The decision is in the record below, *see* reference to it in opinion below, Pet. App. 12a.

> "Hereafter, *whenever the copyright* in any work protected under the copyright laws of the United States *shall be infringed* by the United States, by a corporation owned or controlled by the United States, or *by a contractor*, subcontractor, or any person, firm, or corporation *acting* for the Government and *with the authorization or consent of the Government*, the exclusive remedy of the owner of such copyright shall be by action against the United States in the Claims Court . . . ." (Emph. added.)

This statute, Petitioner argues, makes the United States liable for copyright infringement, regardless of whether the United States has authorized or consented to the infringement, so long as the United Staes has authorized or consented generally to the contractor's work under the contract.

We agree that is one possible interpretation of the statute, and if correct, then the court below erred. Another interpretation is that the authorization or consent must be to the infringement itself. Unfortunately for the Petitioner, the legislative history of 28 U.S.C. § 1498(b) clearly indicates that Congress intended the latter. The Senate Report states:

> "The purpose of the proposed legislation, as amended, is to provide a remedy in the Court of Claims for the infringement by the U.S. Government or by any contractor acting with its consent, of any work protected under the copyright laws of the United States *where such infringement was with the authorization or consent of the United States.* To put it another way, the bill would waive the sovereign immunity of the United States for infringement of copyrights by extending the provisions of section 1498 of title 28, United States Code, to permit an action in the Court of Claims for a copyright infringement."

Senate Report No. 1877, 86th Cong., 2d Sess., *reprinted in* 1960 U.S. Code Cong. & Admin. News 3444 (emph. added).

The Senate report further states:

> "In addition, it affords the right of recovery for copyright infringements by contractors and subcontractors who perform work for the United States *where such contractor infringes with the consent of the Government.*"

*Id.* at 3446 (emph. added).

Thus, it is clear that Congress contemplated that 28 U.S.C. § 1498(b) would be a waiver of sovereign immunity in those cases where the United States *consents to the infringement.*[13] The Court of Appeals decision *relied* on this clearly stated congressional purpose, Pet. App. 8a, far from conflicting with it as Petitioner argues.[14]

This legislative purpose, while directed to § 1498(b) (copyrights), appears even stronger on the face of § 1498(a) (patents), which though enacted much earlier than the copyright part, has similar language. Section 1498(a) states:

> "(a) *Whenever an invention* described in and covered by a patent of the United States *is used or manufactured by or for the United States without license* of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United

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[13] Section 1498 is a waiver of sovereign immunity and therefore is to be strictly construed. *Windsurfing International, Inc. v. Ostermann,* 534 F.Supp. 581, 588 (S.D.N.Y. 1982), *citing Leesona Corp. v. United States,* 599 F.2d 958 (Ct.Cl.), *cert. denied,* 444 U.S. 991 (1979); *Decca Ltd. v. United States,* 640 F.2d 1156, 1170 (Ct.Cl. 1980), *cert. denied,* 454 U.S. 819 (1981); *United States v. Mitchell,* 445 U.S. 535, 538 (1980).

[14] We assume it is true, as Petitioner says (Pet. 13), that the USIA suggested to Congress that the bill would make the U.S. liable for unintentional infringement. However, Petitioner points to no evidence that Congress accepted the USIA's suggestion, and the Senate Report quoted above is flatly to the contrary.

States Claims Court for the recovery of his reasonable and entire compensation for such use and manufacture.

"For the purposes of this section, *the use or manufacture of an invention* described in and covered by a patent of the United States *by a contractor*, a subcontractor, or any person, firm, or corporation for the Government and *with the authorization or consent of the Government*, shall be construed as use or manufacture for the United States." (Emph. added.)

The second paragraph deals with vicarious Government liability, and says liability is triggered by the contractor's infringing *use* of a patented invention [15] *"with the authorization or consent of the Government"*. On its face this would seem to leave no room for the argument that the U.S. is vicariously liable for the infringing patent use without its consent, merely because the infringing use occurred while the contractor was acting under a consented-to contract.

Due to the differences in the exclusive rights granted to patent and copyright owners, the copyright clause of § 1498 reads slightly differently, but leads to the same result—to be vicariously liable, the U.S. must consent *to the infringement.*[16] The legislative history we have

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[15] Obviously "use . . . of [a patented] invention" means *infringing* use (no other meaning makes sense). *See Carrier Corp. v. United States*, 534 F.2d 244, 249 (1976) (§ 1498(a) "expressly provides that any use of a patented invention for the Government must be authorized or consented to").

[16] Instead of referring to the contractor's *infringing use* with the authorization or consent of the U.S., the copyright section refers to infringement by a contractor who is *"acting"* with the authorization or consent of the U.S. Since § 1498(b) may be triggered only by an affirmative *act* of copying (or the act of violating some other exclusive copyright right), and mere use of a copyrighted work will not suffice, it seems clear that the Government must consent to the *act* of infringement.

cited above says exactly this with respect to the copyright clause.[17]

Moreover, although the mere use of a patented device may constitute patent infringement, mere use of a copyrighted work does not. It cannot be overemphasized that this difference in substantive law defines an area in which § 1498(a) patent infringement cases are inapplicable to cases of copyright infringement under § 1498(b). Instances involving mere use of a copyrighted work, without more, would not trigger § 1498(b) because they *do not by definition involve copyright infringement.* Significantly, Petitioner completely ignored this important difference between patent and copyright law and argued misleadingly that patent cases under § 1498(a) are controlling in copyright cases under § 1498(b). *See* Pet. 14 n.14; 20 n.23.

**2. There is No Conflict in the Law Since The Cases Interpreting 28 U.S.C. § 1498 are Clear that the Consent Must Be to the Infringement, Not Merely to the Work Being Performed Under the Contract.**

Petitioner contends that the Court of Appeals ruling (that the U.S. must consent to copyright infringement before it assumes liability under § 1498(b)) conflicts with other case law interpreting that statute. Pet. 19, 23.

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[17] Petitioner seems to be arguing for vicarious U.S. liability only for "innocent and unintentional" infringement by contractors, Pet. 11, 12, and not where the contractor knowingly or willfully "chooses" to infringe for its own profit. Pet. 17. The facts of this case are still undeveloped because no discovery has been conducted, but is is likely that the infringement here *will* prove to be knowing and willful.

Petitioner says (Pet. 29 n.31) that if § 1498 applies and the Government therefore becomes the sole defendant, the Government will be able to claim an implied license (because the project was paid for by Government funds), which if true would leave Auerbach without any remedy whatever for the conversion of his designs by these private defendants, who have greatly profited from their infringement. For defendants thus to escape the consequences of their wrongdoing would be unconscionable, and is all the more reason the U.S. should not be made to defend the case.

That is not true. There is only one copyright case construing § 1498(b) other than the decision below, and the two are in complete agreement. Even among the patent cases construing § 1498(a), all but one (*Bereslavsky*), and perhaps not even that one, hold that vicarious liability under § 1498(a) requires consent to the *infringement* itself.[18]

**a. *The Single Copyright Case Under § 1498(b).***

The one and only case (besides the court below) that has construed the *copyright* part of § 1498 concluded, consistent with the legislative history and the Court of Appeals decision below, that consent to the infringement itself is required. *Combustion Engineering, Inc. v. Murray Tube Works, Inc.*, 222 USPQ 239 (E.D.Tenn. 1984). In that case, the United States was seeking bids for the repair of naval boilers. The United States had received detailed engineering drawings from the manufacturer when the United States brought the boilers, and the bid package it sent out contained these drawings. A parts supplier copied the drawings and placed his name on the title block (similar to what happened in our case). The copyright owner sued the infringer. The latter argued that the copyright owner's exclusive remedy was against the United States under § 1498(b). The court disagreed, finding the United States in no way consented to the copyright infringement eevn though it supplied the drawings to the infringer:

> "There is absolutely no indication that any infringing was done with the authorization or consent of the government as required by Section 1498(b)." 222 USPQ at 243.

**b. *Patent Cases Under § 1498(a).***

*Combustion Engineering* has many similarities to this case and is in line with the cases construing the patent

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[18] The requirement for U.S. consent to infringement was the basis for the U.S. DOT denying Respondent's claim for compensation, see note 12 above.

part of § 1498. Those cases too require consent to infringement:

*Wood v. Gulf Atlantic*, 296 F. 718, 722 (D.Ala. 1924) (held, U.S. knowledge of infringement required; it would be "going too far" to hold Government liable for use of patented device by contractor "when they did not know he was using it");

*Bereslavsky v. Esso Standard Oil Co.*, 175 F.2d 148, 150 (4th Cir. 1949) (consent to infringement found by virtue of necessity);

*Consolidated Vacuum Corp. v. Machine Dynamics, Inc.*, 230 F. Supp. 70, 72 (S.D.Cal. 1964) (court noted "the necessity for the Government's consent to use of the patented article");

*Croll-Reynolds Co. v. Perini-Leavell-Jones-Vinell*, 399 F.2d 913, 915 (5th Cir. 1968) (court agreed that U.S. consent was required and found it in the Government's approval of and payment for the dam);

*Molinaro v. Watkins-Johnson CEI Div.*, 359 F. Supp. 467, 472 (D.Md. 1973) (required consent supplied by acceptance of the products incorporating infringement, under a contract which had an express consent-to-infringement clause);

*Carrier Corp. v. United States*, 534 F.2d 244, 248 (Ct.Cl. 1976) ("We find the Government has not authorized or consented to any infringement of plaintiff's patent");

*Hughes Aircraft Co. v. United States*, 534 F.2d 889, 899 (Ct.Cl. 1976) (where court addressed issue of "whether the Government gave its authorization and consent for any infringements . . .");

*Windsurfing International, Inc. v. Osterman*, 534 F.Supp. 581, 589 (S.D.N.Y. 1982) ("authorization relied upon by [the infringer] was made without the [Government's] knowledge that a particular infringement was being planned . . .").

### 3. Consent to Infringement Need Not Be by Express Formal Agreement.

While virtually all the cases agree that legally, the test for vicarious liability is consent to infringement, they vary, as might be expected, on the factual question of whether the U.S. has in fact consented.

Consent to infringement may be found in many ways. The courts do not require a formal, express agreement by the Government to accept liability in patent cases, though, in fact, such agreements are common.[19] Assumption of liability for patent infringement can also be informally communicated,[20] it can be based on actual U.S. knowledge of the infringement, and it can be implied from necessity,[21] provided the contractor could not have satisfied the Government's requirements without infringement.[22]

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[19] A boilerplate consent-to-liability-for-infringement clause is quite often found in Government contracts. *See, e.g., Carrier, Hughes, Croll-Reynolds,* and *Molinaro, supra. See also* the opinion of the court below, Pet. App. 11a. No such clause exists in the instant case.

[20] *See, e.g., Hughes, supra,* 534 F.2d at 901, where the court stated that " ' "authorization or consent" on the part of the Government may be given in many ways other than by letter or other direct form of communication'—*e.g.*, by contracting officer instructions, by specifications or drawings which impliedly sanction and necessitate infringement . . . ."

[21] *E.g., Bereslavsky, supra,* 175 F.2d at 150, where the court found consent because, *inter alia,* the contract required certain things which "necessarily resulted in a product containing the infringing ingredients," and the U.S. officers knew about and encouraged the infringement. Unlike in *Bereslavsky,* there was no necessity in our case. As the court below said, "Aside from a desire to save money, nothing necessitated appellees' apparent decision to copy the deleted parking drawings." Pet. App. 10a.

[22] *Windsurfing, supra,* 534 F. Supp. at 588 ("If the government requirements can be satisfied without an infringement, authorization or consent will not be implied").

Thus, consent to infringement is often based on factual circumstances short of express agreement. Obviously this is no cause to wail that the statute has been "abrogated" or "nullified." Pet. 10, 12.

**a. *The Bereslavsky Case is Not in Conflict.***

Petitioner contends that the *Bereslavsky* case, *supra*, held that consent to patent infringement is not required. Pet. 19-20. We do not believe *Bereslavsky* meant this, although there is some confusing dicta that might at first glance support that argument.

In *Bereslavsky*, the patentee argued that the U.S. had not *expressly* contracted for a product that would infringe a U.S. patent. The court held the Government need not *expressly* contract for what would infringe, but that consent to infringement could be implied. It found Government consent was implied by virtue of necessity from the fact that the contract could not have been fulfilled without committing patent infringement. 175 F.2d at 150. Petitioner does not claim that this rationale is in legal conflict with the opinion of the court below.

*Bereslavsky* also found that the U.S. was *in fact* aware of and encouraged the infringement. 175 F.2d at 150, 151. Petitioner also does not claim any legal conflict arising from this finding.

Rather, Petitioner (Pet. 20) finds the conflict to be with the following statement from *Bereslavsky* (175 F.2d at 150, which we quote more fully than did Petitioner):

> "In the second place, there is no language in the statute which limits its application to cases where the government *contracts expressly* for what will infringe, but, on the contrary, it applies in any case where the invention of the patent is 'used or manufactured by or for the United States'. To limit the application of the statute to cases where officers of the government *intentionally contract* for patent in-

fringement would in very large measure defeat its purpose." (Emph. added.) [23]

The *Bereslavsky* court, having found that the Government's contract could not be performed without patent infringement, and that the Government officers had been fully aware of this, was hardly saying that consent to infringement was not necessary under § 1498(a). In our view, it was obviously merely saying—as the italicized words in the quotation show—that the consent does not have to be formally expressed in the contract, a proposition that is in complete harmony with the other patent cases cited at p. 17 above, and with which the court below agreed, indeed citing *Bereslavsky*. Pet.App. 10a.

**b. *Mere Government Use of a Product Involving Copyright Infringement by the Contractor is Not Implied Consent to the Infringement.***

After making the statement quoted above, *Bereslavsky* went on to say that the authorization or consent clause was irrelevant in any case, because "Here the product of the patent was *used by the government itself* . . . ," and therefore under the first paragraph of § 1498(a) the Government was *directly* (not vicariously) liable without more.[24]

This rationale (that upon acceptance the U.S. automatically becomes a direct infringer by use of the infringing product), even if it is a valid rationale so far

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[23] The unauthorized manufacture, use, or sale of a patented device constitutes infringement. 35 U.S.C. § 271(a). By contrast, unauthorized copying, creation of derivative works, or public distribution, display, or performance of a copyrighted work, constitutes infringement. 17 U.S.C. §§ 106, 501.

[24] *Id.* at 150, emphasis added. The first paragraph of § 1498(a) says that the Government is liable whenever a patented invention is "used . . . by . . . the United States without license of the owner . . . ." Pet. App. 17a.

as patents are concerned,[25] would not apply to copyrights, which are intrinsically different from patents in what constitutes infringement. Copyright infringement consists only of the *copying* of the original work (or the making of a derivative work therefrom or the distribution of copies). It is not copyright infringement to *use* the copyrighted drawings or to construct something based on them. *See Combustion Engineering, supra,* 222 USPQ at 244 ("The fabrication of an article depicted in a copyrighted drawing is not protected"). So, under present copyright law, building the parking garage based on Auerbach's original drawings, or for that matter on the copied drawings, was not infringement.

In the case of a patent, on the other hand, each use of the infringing device is a new infringement (35 U.S.C. § 271(a)), so that the Government itself commits a new infringement when it uses a product built for it by a contractor, incorporating an infringing device. But this does not apply to copyrights, and construction of the parking facility according to the copied drawings does *not* constitute copyright infringement.

These important differences between copyrights and patents have not yet been explored by the lower courts in the context of § 1498, or indeed, by the trial or appeals court in this very case, as these issues were preempted by the District Court's dismissal, which has now been reversed and remanded for trial by the appeals court below. Until further law develops in the copyright area of § 1498, or at least until further facts are developed in this case on remand, this Court may find it pre-

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[25] Which it is not, at least not as an automatic rule. Most courts have said that if the contractor did not have to infringe, then the U.S. does not become liable by mere acceptance of the product without awareness of the infringement. *See, e.g., Wood, Consolidated Vacuum, supra,* and especially *Carrier, supra,* 534 F.2d at 249.

mature to consider the vicarious liability issue in the copyrights context.[26]

### c. *The Court of Appeals Decision is Not Inconsistent With Richmond Screw Anchor.*

The Petitioner contends (Pet. 14-16) that the decision of the court below is inconsistent with this Court's decision in *Richmond Screw Anchor Co.* v. *United States*, 275 U.S. 331 (1928), arguing that *Richmond* held the U.S. was an indemnitor of government contractors, and that the court below has dissolved this protection. That is not so; the court below merely held, as have many cases before it, that the U.S. must consent to the patent infringement *before* it becomes an indemnitor. *Richmond* was decided long before the authorization or consent clause was added to § 1498(a), and did not discuss or involve the authorization or consent issue.

* * *

Based on the preceding discussion it is clear that the decision of the Court of Appeals below is faithful to the intent of Congress and the case decisions, holding that the U.S. must consent to the infringement before it will be vicariously liable under § 1498. Obviously, there is a wide variety of factual situations among the cases, but none requiring correction or clarification of the law.[27]

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[26] Petitioner also says (Pet. 25-26) that the decision below adds a third element (intent) to copyright liability law that would apply only to the U.S. Nonsense. The question of intent is a constituent element of § 1498, not of copyright law. Congress is clearly free to determine if the United States must intend to consent to copyright before it becomes vicariously liable for infringement.

[27] The Petitioner also raises an indispensable party question, arguing that the Court of Appeals failed to properly consider the issue. The Court of Appeals did address the issue and found that, absent consent to infringement, the United States cannot be liable

## CONCLUSION

Petitioner's writ for certiorari should be denied.

Respectfully submitted,

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February 5, 1988

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for the defendant's infringement, and therefore is not indispensable. Pet. App. 13a.

Clearly, complete relief for Auerbach is available from those already parties since each infringer is separately liable to Auerbach. Nor will any of the named parties be subject to any inconsistent liabilities. The contracts already set forth the respective liabilities of the parties, *inter sese*, and if any defendant has a claim against the United States (which is highly doubtful), it can go to the United States Claims Court for complete relief.

We note also that the defendant apparently most closely connected to the copying of Auerbach's drawings, S&P, expressly agreed to indemnify the District of Columbia for any copyright infringement claims, and this would place both S&P and D.C.DOT in front of the United States in any liability line-up. Petitioner claims that the U.S. accepted liability for the defendants' acts (Pet. 3-4). But the U.S. does not become an indispensable party simply because it may have to indemnify a defendant later. *Rochester Methodist Hospital v. Travelers Ins. Co.*, 728 F.2d 1006, 1016-17 (8th Cir. 1984).

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(3)

No. 87-814

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1987

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TERMINAL REALTY PENN COMPANY,
*Petitioner,*

v.

SEYMOUR AUERBACH,
*Respondent.*

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**On Petition for a Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit**

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## MEMORANDUM OF RESPONDENTS TERMINAL REALTY BALTIMORE COMPANY AND UNION STATION REDEVELOPMENT CORP.

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## MEMORANDUM OF RESPONDENTS TERMINAL REALTY BALTIMORE COMPANY AND UNION STATION REDEVELOPMENT CORP.

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This memorandum is submitted in response to the notice from the Clerk of the Court dated January 6, 1988, requesting the filing of responses to the petition for a writ of certiorari.

Respondents Terminal Realty Baltimore Company (TRB) and Union Station Redevelopment Corporation (USRC) are two of the ten parties that were named as defendants in the complaint filed by respondent Auerbach. In March of 1986, the district court granted a motion to dismiss the complaint as to all parties on all

counts. The bases of the court's order were that (1) by virtue of 28 U.S.C. § 1498(b), the action was "required to be brought in the United States Claims Court with the United States as a party defendant," and (2) under Rule 19 of the Federal Rules of Civil Procedure, the United States is an indispensable party who has not been made a party to this action by plaintiff and who cannot be made a party to this action without depriving [the district] court of jurisdiction."

In the court of appeals, respondents TRB and USRC joined petitioner Terminal Realty Penn Company in arguing that the district court properly dismissed the complaint under 28 U.S.C. § 1498(b) and Fed. R. Civ. P. 19, and that the order should be affirmed. We also argued that the district court's action should be affirmed on the alternative ground that respondent Auerbach's claims are barred by an Agreement and Release that he signed in 1977. The court of appeals declined to resolve the latter issue, expressly limiting its decision to the interpretation of 28 U.S.C. § 1498(b) and reversing the district court's ruling on that point.

Respondents TRB and USRC agree with petitioner that the court of appeals incorrectly interpreted the statute. The court of appeals effectively redrafted the statute by distinguishing between "the sphere of the authorized activity" (in this case, the completion of the project, using respondent Auerbach's drawings) and the specific act of copyright infringement (the alleged copying of the drawings), and by concluding that the United States is liable only where the evidence "prove[s] the government's intention to accept liability for a specific act of infringement." In so ruling, the court has sharply curtailed the reach of the statute and greatly increased the exposure of private parties who contract to do work for the government. The opinion is inconsistent with the decisions of this Court and other federal courts, and the judgment should be reversed.

Respondents TRB and USRC join in the petition and support petitioner's request that a writ of certiorari be granted to review the decision and judgment of the court of appeals.

Respectfully submitted,

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(4)

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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1987

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TERMINAL REALTY PENN COMPANY,

*Petitioner,*

vs.

SEYMOUR AUERBACH,

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## JOINT BRIEF OF RESPONDENTS SVERDRUP CORPORATION, SVERDRUP & PARCEL, SVERDRUP & PARCEL & ASSOCIATES, JACKSON & TULL, CHARTERED ENGINEERS, DEVROUAX & PURNELL, ARCHITECT PLANNERS, P.C. AND LEGION DESIGN SYSTEMS, INC. IN SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

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## QUESTIONS PRESENTED FOR REVIEW

I. DID THE COURT OF APPEALS SO CONSTRUE THE LANGUAGE AND CONGRESSIONAL POLICY OF 28 U.S.C. § 1498(b) THAT IT (A) LARGELY ABROGATED THE OPERATION OF THAT FEDERAL STATUTE AND (B) UNDERMINED THE INTEGRITY OF FEDERAL COPYRIGHT PROTECTION?

II. IN LIGHT OF A CONFLICT IN CIRCUITS AS TO THE PROPER SCOPE OF THE LEGAL RESPONSIBILITY OF THE UNITED STATES OF AMERICA FOR THE ACTIONS OF ITS CONTRACTORS AND SUBCONTRACTORS UNDER 28 U.S.C. § 1498, WHAT IS THE PROPER SCOPE OF THE FEDERAL GOVERNMENT'S LEGAL RESPONSIBILITY FOR SUCH ACTIONS UNDER 28 U.S.C. § 1498(b)?

III. DOES THE OPINION OF THE COURT OF APPEALS CONFLICT WITH THE DECISION OF THIS COURT IN *SPERRY GYROSCOPE CO. v. ARMA ENGINEERING CO.*, 271 U.S. 232 (1926), AND AS A RESULT, DID THE CIRCUIT COURT DEPRIVE PETITIONER OF DUE PROCESS OF LAW BY FAILING TO CONSIDER WHETHER THE DISMISSAL OF THE COMPLAINT BY THE DISTRICT COURT IN THIS ACTION UNDER FED. R. CIV. P. 19 CONSTITUTED A SEPARATE, INDEPENDENT AND LEGALLY SUFFICIENT GROUND UPON WHICH SUCH DISMISSAL COULD BE AFFIRMED ON APPEAL?

IV. IS THE UNITED STATES OF AMERICA, WHICH, AS SHOWN BY THE RECORD HEREIN,

(i) ASSUMED IN WRITING "SOLE AND EXCLUSIVE LIABILITY" FOR THE CLAIMS AT ISSUE IN THIS LITIGATION,

(ii) WAS DETERMINED BY A U.S. DISTRICT COURT TO BE "COMPLETELY IN CONTROL" OF THE FEDERAL CONSTRUCTION PROJECT AND SPECIFIC CONTRACT WHICH GAVE RISE TO THIS LITIGATION,

(iii) MAY ASSERT A UNIQUE DEFENSE WHICH WOULD BE A COMPLETE BAR TO ALL CLAIMS AGAINST ALL DEFENDANTS IN THIS ACTION, AND

(iv) WOULD BE SUBJECT TO A SUBSTANTIAL RISK OF INCURRING A LIABILITY WHICH MIGHT NEVER HAVE ARISEN IF IT WERE A PARTY TO THIS PROCEEDING,

AN INDISPENSABLE PARTY TO THIS LAWSUIT UNDER FED. R. CIV. P.19?

## PARTIES TO THE PROCEEDING

The parties to the proceeding in the court whose judgment is sought to be reviewed herein are as follows:

(i) Appellant—Seymour Auerbach, and

(ii) Appellees—(a) Terminal Realty Penn Company, a wholly-owned subsidiary of The Penn Central Corporation; (b) Terminal Realty Baltimore Company, a subsidiary of CSX Corporation; (c) Sverdrup Corporation; (d) Sverdrup & Parcel, a partnership; (e) Sverdrup & Parcel & Associates, Inc.; (f) the District of Columbia; (g) Union Station Redevelopment Corporation; (h) Devrouax & Purnell, Architect Planners, P.C.; (i) Jackson & Tull, Chartered Engineers; and (j) Legion Design Systems, Inc.

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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1987

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No. 87-814

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TERMINAL REALTY PENN COMPANY,

*Petitioner*,

VS.

SEYMOUR AUERBACH,

*Respondent*.

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**JOINT BRIEF OF RESPONDENTS SVERDRUP CORPORATION, SVERDRUP & PARCEL, SVERDRUP & PARCEL & ASSOCIATES, JACKSON & TULL, CHARTERED ENGINEERS, DEVROUAX & PURNELL, ARCHITECT PLANNERS, P.C. AND LEGION DESIGN SYSTEMS, INC. IN SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT**

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## OPINIONS BELOW

The opinion of the United States Court of Appeals for the District of Columbia Circuit (the "Circuit Court"), as amended, is officially reported at 829 F.2d 175 and is reprinted in the appendix to the Petition for Certiorari at p. 1a *et seq*. The Order and opinion of the United States District Court for the District of Columbia, from which appeal was taken, is not

officially reported and is reprinted in the appendix to the Petition at p. 14a *et seq.*

## JURISDICTION

The judgment of the Circuit Court sought to be reviewed by the filing of the Petition was entered on September 22, 1987. The petition for certiorari was filed within ninety days of that date. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

## STATUTORY PROVISIONS AND REGULATIONS INVOLVED IN THIS CASE

The statutory provisions and regulations involved in this case are: (i) 28 U.S.C. § 1498(a), (ii) 28 U.S.C. § 1498(b), (iii) Fed. R. Civ. P. 19, (iv) 17 U.S.C. § 506(a), (v) 40 U.S.C. §§ 801-809, (vi) 40 U.S.C. §§ 811-819, (vii) 48 C.F.R. § 1227.401-71(b)(6)(ii) (1986), (viii) 48 C.F.R. § 1252.227-71(a)(c)(2) (1986), (ix) Fed. R. Civ. P. 12(b)(6), (x) 17 U.S.C. § 401, (xi) 17 U.S.C. § 402, (xii) 28 U.S.C. § 1331, (xiii) 28 U.S.C. § 1338(a), and (xiv) 28 U.S.C. §1254(1). These statutory provisions and regulations are reprinted in the appendix to the Petition at p.17a *et seq.*

## STATEMENT OF THE CASE

Respondents Sverdrup Corporation, Sverdrup & Parcel, Sverdrup & Parcel & Associates (hereinafter "Sverdrup"), Jackson & Tull, Chartered Engineers, Devrouax & Purnell, Architect Planners, P.C. and Legion Design Systems, Inc. (hereinafter, collectively, the "Sverdrup respondents") were parties defendant in the District Court proceeding, C.A. No. 85-2493. Terminal Realty Penn Company was also a defendant

in the District Court action. In the District Court, Terminal Realty Penn Company filed a Motion for Summary Judgment alleging that under 28 U.S.C. § 1498, plaintiff was required to bring suit against the United States as his exclusive remedy for the causes of action alleged in his complaint. Additional Motions for Summary Judgment were filed, on other grounds, by various of the Sverdrup respondents. The U.S. District Court judge granted the Motion of Terminal Realty Penn Company and extended his Order of dismissal to all defendants below, since the basis for his decision involved an interpretation of statutes and rules which applied to all defendants.

In the Court of Appeals, Terminal Realty Penn Company, in its opposition brief filed in response to the brief filed by plaintiff Seymour Auerbach, argued the positions relating to application of 28 U.S.C. § 1498(b) and Federal Rules of Civil Procedure 12(b)(6) and 19. In a separate joint brief, the Sverdrup respondents agreed with the position of Terminal Realty Penn Company as follows:

> For the reasons set forth in Terminal Realty Penn Company's brief, the United States is, and always has been, the real party in interest as to the Union Station/Visitor Center project and Auerbach's involvement in it. The district court therefore properly dismissed the action. 28 U.S.C. § 1498(b); Fed. R. Civ. P. 19.

(Opposition Brief of the Sverdrup respondents filed in Appeal No. 86-5235, p. 14).The United States Court of Appeals for the District of Columbia Circuit reversed the Order of the District Court judge, holding that 28 U.S.C. §1498 did not mandate trial against the federal government in the United States Claims Court.

The Court of Appeals did not address the other arguments raised by Terminal Realty Penn Company or by the Sverdrup respondents, most notably the arguments regarding Federal Rule of Civil Procedure 19.

Terminal Realty Penn Company petitioned this Court for a writ of certiorari. By letter dated January 6, 1988, this Court has requested a response to the Petition for a writ of certiorari from all respondents.

## REASONS FOR GRANTING THE WRIT

In the Petition, Terminal Realty Penn Company has set forth its reasons for granting the writ. The Sverdrup respondents agree with the reasons set forth in the Petition Brief, from pages 10 through 30. The reasons for granting a writ are summarized at footnote 8 of the Petitioner's Brief on page 10. The Sverdrup respondents believe that the United States Court of Appeals for the District of Columbia Circuit erred in its decision when it held that 28 U.S.C. § 1498(b) did not mandate trial against the federal government in the United States Claims Court on Seymour Auerbach's claims. The United States Court of Appeals for the District of Columbia Circuit also erred in failing to address the position of the United States as an indispensable party in accordance with Federal Rule of Civil Procedure 19.

The Sverdrup respondents believe that the major reasons that the Writ should be granted in this case are that the decision of the Circuit Court undermines the fundamental integrity of copyright protection and largely vitiates the efficacy and operation of a federal statute. The effect of the Circuit Court's decision far transcends the specific factual importance of this particular proceeding and holds the promise of significant

adverse implications of lasting national impact both upon the particular federal statute in question as well as upon the entire body of federal copyright law. Simply stated, federal copyright law just does not contemplate "intent" as an element in infringement actions involving the United States or any other party.

This case should also be reviewed by this Court to clarify, for both the federal government and its contractors, the proper scope of their respective legal responsibilities under 28 U.S.C.§ 1498, and to resolve the conflict among circuits which the decision of the Circuit Court in this proceeding has created.

## PRAYER FOR RELIEF

For the reasons stated in the Petition filed by Terminal Realty Penn Company, respondents Sverdrup Corp., Sverdrup & Parcel, Sverdrup & Parcel & Associates, Jackson & Tull, Chartered Engineers, Devrouax & Purnell, Architect Planners, P.C., and Legion Design Systems, Inc. pray that a Writ of Certiorari be granted to review the decision and judgment of the Circuit Court in this proceeding.

Respectfully submitted,

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